



BRITISH FILM INSTITUTE

GROUP AND LOTTERY ANNUAL REPORT
AND FINANCIAL STATEMENTS 2017-2018

British Film Institute Group and Lottery Annual
Report and Financial Statements for the year ended
31 March 2018

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Chair and Chief Executive's Report

This annual report covers the first year in our new strategy BFI2022. It is a strategy designed to build on the strengths of *Film Forever*, and was shaped by all that we have heard during an informative UK-wide consultation.

BFI2022 rises to embrace and support the fast-evolving technological creative arena and new post-referendum opportunities and challenges. We focus on the future of this great art form with: a wider interpretation of film to cover new forms; a sustained commitment to diversity; and new initiatives that devolve more decision-making and funding to create greater opportunity across the English regions and the Nations.

BFI2022 is arranged in four sections: *Future Audiences*, *Future Talent*, *Future Learning and Skills and Leadership*, and steady progress has been made against all the pledges.

Future-proofing a creative endeavour depends on bringing through the next generation, a generation that is confident and knowledgeable and inspired by its cultural foundations. This year, the BFI has bristled with globally inspired programmes of film, delivered across all our platforms and with partners across the world. Examples of such programmes have included a tie-in with the national celebration of India, a much-fêted celebration of the work of Ingmar Bergman, and a nationwide look at 'Thriller' as a genre on the big and small screen. One of the strengths of the BFI cultural programme is its inventive capability of accenting inclusion and diversity. Examples included a year-long focus on re-positioning the role of women in the history of film, and a much talked about celebration of the Woodfall films with their focus on working class heroes.

We have adapted our funding criteria to support work across different platforms, encouraging creative filmmaking that expands the possibilities of storytelling and form. As part of our expanding BFI NETWORK, we have appointed six regional

talent development executives through the BFI Film Audience Network, providing greater access and support for talented emerging filmmakers in key cultural film hubs across England, complementing programmes already established in Scotland, Wales and Northern Ireland.

It has been rewarding this year to see so many filmmakers in receipt of National Lottery funding through the BFI Film Fund being recognised for their work. This includes outstanding debuts by Rungano Nyoni (*I Am Not A Witch*), Francis Lee (*God's Own Country*) and William Oldroyd and Alice Birch (*Lady Macbeth*), along with Lynne Ramsay achieving great acclaim in Cannes for her prize-winning *You Were Never Really Here*.

It has been a bumper year for film overall in the UK, with production in 2017 reaching a new high of £1.9 billion, and it is important to recognise the winning combination of a competitive fiscal environment provided through the UK film tax incentive, the excellence of craft and crew, professional expertise in our infrastructure, and the pure exhilaration of creative innovation. Together with the essential service support from many of our partner agencies such as the British Film Commission and Creative England and the national agencies who look after production services, it is a winning combination that reaps massive and growing economic benefit for the UK.

Nevertheless, we identified in BFI2022 a concern for the future competitiveness and creative value of British independent filmmaking in this fast evolving and complex digital arena, where traditional business models are in constant flux. We have responded and, as promised, launched a bespoke commission, headed by Zygi Kamasa, CEO of Lionsgate UK and Europe, with members from across the value chain. The commission will report later in 2018.

Diversity and inclusion are at the heart of our strategy, with the desire to create new opportunities

for thousands of individuals from all backgrounds. The launch of *Future Film Skills*, a 10 Point action plan, has delivered on a key commitment in BFI2022 to address emerging skills shortages and to make it easier for people to enter the industry. We were delighted to award a significant five-year contract to Creative Skillset, after an impressive bid, to deliver this very important, industry-backed skills strategy that will help to future-proof continued growth in the UK's flourishing film sector.

Following the exposure of some unsavoury practices in the industry, we led on an immediate response in partnership with BAFTA and the Cinema and Television Benevolent Fund (CTBF) to create a set of principles against bullying and harassment which were adopted by over 40 film-related organisations and embedded in our Diversity Standards. We also introduced clear, reportable targets for inclusion across key activities. Ensuring that education to tackle these issues is available from an early age, we were glad to enlist the expertise of our partner *Into Film* who now reach into around 10,000 schools through their film clubs and social media activity.

After several years of painstaking research, we were proud to launch the largest public searchable, interactive database dedicated to British feature films released in the UK. This includes over 100 years of data on the nearly 10,000 film titles (growing weekly) released. Looking at gender data reflected in the database revealed some stark and uncomfortable realities about the scale of change needed. The data is also a rich source of material for policy makers seeking to understand the value and impact of policy interventions. We are the first country in Europe (possibly the world) to have this level of data about our own indigenous industry.

The challenges and opportunities of leaving the European Union, alongside the Government's industrial strategy, dominated our policy and advocacy work during the year. The BFI continues to draw on the expertise of a cross industry group

(the Screen Sectors' Taskforce) to examine the economic and cultural impact of leaving the EU and is working closely with Government to ensure the best possible outcome for the UK screen sector from the EU Exit. Of equal importance is the strength of our networks in Europe and beyond, and much energy has been committed to maintaining our presence in key European forums.

The Government's announcement of its industrial strategy, with the creative industries selected for an 'early sector deal', was a vote of confidence in the ability of creative businesses to drive growth and create jobs across the whole of the UK. Through our membership of the Creative Industries Council and the Creative Industries Federation, we have worked hard to ensure that new measures to support the success story of British film are reflected in the Government's industrial strategy.

We look forward to 2018-19 with a Comprehensive Spending Review that allows us to present a fresh and ambitious future vision for the BFI and the film industry. We are thinking radically about the future, how we can continue to present the ambition we have for film and the wider moving image, and how we can position ourselves financially to better support the wider screen environment heralded in our strategy.

The Annual Report is an important moment to recognise the amazing and dedicated work of our staff whose depth of expertise, curiosity to learn and commitment to sharing their love of film is the real power behind the BFI. They are, of course, led by a highly knowledgeable and committed Board of Governors who bring support, guidance and wisdom throughout the year.



Josh Berger CBE
Chair



Amanda Nevill CBE
Chief Executive

12 July 2018

**WHAT WE
DELIVERED
THIS YEAR**

Future Audiences

Great filmmaking for audiences everywhere

Delivering great films to audiences across the UK

A rich cultural programme

We believe that everyone, everywhere in the UK should have opportunities to enjoy and learn from the richest and most diverse range of great British and international filmmaking, past, present and future. This is central to our goal of encouraging ambition in filmmakers, and an appetite among audiences especially 16–30 year olds.

Only a small handful of countries worldwide offer the breadth and depth of cultural programming that the BFI and our partners present to audiences. This means not just feature films on traditional formats, but also excellence and innovation in all kinds of moving image making. We are passionate about offering an unmatched diversity of public programming and discovering the riches of world cinema and significant British stories on film.

WORLD CINEMA India on Film

India has one of the world's richest and most prolific film industries. Throughout 2017, we celebrated the diversity of Indian filmmaking and films about India, from Bollywood to Tollywood (home of Telugu and Bengali cinema) – in cinemas and online. Our programme included previews of the biggest new releases, independent cinema, restorations of classic titles and opportunities to meet filmmakers and actors. Our *India on Film* programme was part of a major cultural collaboration between the UK and India, in collaboration with the British Council.

Two newly digitised collections of films from the archive launched on BFI Player and other platforms: *South Asian Britain on Film*, exploring the lives of South Asian Britons and work of South Asian filmmakers across the 20th century, and *India on Film, 1899-1947*, a ground-breaking collection of films comprising some of the earliest moving images of India, most unseen for decades. In collaboration with the British Council, over 100 of these films were also made available and promoted

in India online and extensively in the media resulting in over half-a-million views on YouTube and BFI Player in a single three month period.

A special highlight was the restoration of a British-Indian-German co-production *Shiraz: A Romance of India* (1928). A newly commissioned score was composed by sitar supremo Anoushka Shankar, who accompanied the film live with her ensemble when the film premiered at the BFI London Film Festival in front of 2,000 people at a sold-out Barbican Hall gala. The film and live ensemble went on to tour across India, in partnership with the British Council, visiting Mumbai, Delhi, Hyderabad and Kolkata, reaching an estimated audience of 7,000.

Shiraz was also released UK-wide by BFI Distribution, in addition to *Hotel Salvation*, the award-winning first feature from Subhashish Bhutianti, *Around India with a Movie Camera*, a feature fusing together some of the earliest surviving film from India, as well as travelogues, intimate home movies and newsreels from British, French and Indian filmmakers. To date, *Shiraz* has gone to 23 venues and been seen by almost 2,200 people, while *Hotel Salvation* has had 153 bookings and around 15,300 admissions.

BFI Southbank hosted monthly *India on Film* events including a screening of *Baahubali: The Conclusion*, with celebrated director S.S. Rajamouli, which also attracted an audience of 720,000 viewers through Facebook live.

Ingmar Bergman

In January, the BFI joined global celebrations marking the centenary of Swedish filmmaker Ingmar Bergman with a three-month season at BFI Southbank, UK-wide releases of *The Touch* and *The Magic Flute*, a touring package of Bergman films which helped cinemas around the country to programme their own mini-retrospectives to mark the centenary, and DVD/Blu-ray releases of both films as well as on BFI Player. This extensive

Future Audiences

programme was accompanied by an ambitious line up of discussions, talent-led events and immersive experiences, bringing Bergman and his work to life for a new generation

The Bergman celebrations were a collaboration between the BFI, the Ingmar Bergman Foundation, The Swedish Film Institute, SF Studios and the Ministry of Culture Sweden.

BRITISH STORIES

Woodfall

We celebrated the 60th anniversary of Woodfall Films, the revolutionary company who pioneered the British New Wave, with a month-long season at BFI Southbank, a DVD/Blu-ray box set and BFI Player collection. The season featured a reunion of key Woodfall players and a special *Working Class Heroes* weekender with a keynote from Maxine Peake, and Asif Kapadia, Lesley Manville, Naomie Ackie, Johnny Harris and Vicky McClure on various panels.

Festivals

The year opened with the BFI Radio Times TV Festival with over 10,000 attendees and more than 40 events, over three days. Guests included Dame Maggie Smith, Michael Palin, Tom Hiddleston and Frida Pinto.

The 61st BFI London Film Festival (LFF) took place over 12 days in October, presenting an outstanding selection of new and archival feature films, documentaries and short films from around the world. Audience numbers reached 208,900 with a significant increase in UK-wide attendances. In London there were 180,900 attendances while a further 28,000 people enjoyed the festival through satellite screenings across the UK of Opening Night film Andy Serkis' *Breathe*, Valerie Faris and Jonathan Dayton's *Battle of the Sexes* and Dorota Kobiela and Hugh Welchman's *Loving Vincent*.

The Festival welcomed over 900 international and UK filmmakers, and presented 12 Headline Galas and eight Special Presentations (up three from 2016). The popular temporary purpose-built venue Embankment Garden Cinema was once again the home for Strand Galas and films in Official Competition for its second year.

The BFI LFF Fellowship award was presented to renowned filmmaker Paul Greengrass while the competition winners were: *Loveless*, directed by Andrey Zvyagintsev (Best Film); *The Wound*, directed by John Trengove (the Sutherland First Feature Award); *Kingdom of Us*, directed by Lucy Cohen (the Grierson Documentary Award); and *The Rabbit Hunt*, directed by Patrick Bresnan (Short Film Award).

BFI Player hosted a complementary festival programme with a number of titles launching on the platform shortly after their festival screenings including *Beach Rats* (Eliza Hittman, 2018), *I Am Not A Witch* (Rungano Nyoni, 2017), and *Most Beautiful Island* (Ana Asensio, 2017).

BFI Flare LGBTQ+

BFI Flare is the biggest LGBTQ+ festival in Europe and this year's 32nd edition attracted more than 23,800 people over its ten days in March and April along with 168 films from 35 countries. Talent in attendance included: BFI Fellow Hugh Grant who introduced *Maurice* (James Ivory, 1987) on stage alongside co-star James Wilby; writer, director and star of *The Happy Prince* (2018) Rupert Everett; and director of *120BPM* (2017) Robin Campillo.

For the fourth year, BFI Flare and the British Council made five LGBTQ+ short films available to audiences across the world as part of the ground-breaking *#FiveFilms4Freedom* LGBTQ+ digital campaign. The five films were viewed over 2.5 million times across 12 days in 146 countries. Also in its fourth year was the BFI Flare Mentorship programme – a partnership between BFI NETWORK, BFI Flare and BAFTA, which brings

together emerging LGBTQ+ filmmakers to receive mentoring by a senior figure from the film industry and access to bespoke events and roundtables during the festival.

CULTURAL CAMPAIGNS

LGBT 50

We marked the 50th anniversary since the partial decriminalisation of homosexuality in England and Wales with a number of screenings and events at BFI Southbank and on BFI Player, as well as around the UK and during BFI Flare. *Gross Indecency – exploring LGBT lives in Britain* was an archive-led season examining lives and on-screen homosexuality in the decades before and after the act.

UK-wide activities included the release of Hanif Kureishi and Stephen Frears' *My Beautiful Laundrette* (1985) on Blu-ray and a touring programme of archive film (in partnership with the Independent Cinema Office (ICO)) which launched at Pride in London. Internationally, we partnered with the British Council on a touring programme of classic LGBT features and shorts from directors including Derek Jarman, Isaac Julien and Terence Davies.

The *Gross Indecency* BFI Southbank season was followed by a focus on the work of playwright Joe Orton, marking 50 years since his death, both in venue and on BFI Player. The BFI Player Unlocking Film Heritage collection *LGBT Britain on Film* was a highlight of an already impressive season and received a phenomenal 25,000+ views plus almost 400,000 views for clips/films on social media.

BLOCKBUSTER SEASONS

Who Can You Trust? BFI Thriller

The *Who Can You Trust? BFI Thriller* blockbuster, launched at BFI Southbank in August with two major seasons, and *The Big Thrill Day* – 'the Glastonbury of thrillers' – featuring talks, masterclasses, VR experiences and films. Almost

60% of the audience who attended were under 30. A special Mezzanine Gallery exhibition running alongside the season showcased photography, designs, posters and other publicity material from BFI Special Collections.

Other Thriller programming included a two-month Jean-Pierre Melville season *Visions of the Underworld*, which also marked the French director's centenary year, and a special under-25s event screening of *The Conversation*, with an immersive interactive sound performance by audio visual artists Dubmorphology.

Thriller elements also travelled UK-wide with venues including HOME in Manchester and the Edinburgh Filmhouse programming their own seasons, and including re-releases of *North By North West* (Alfred Hitchcock, 1959) and *The Silence of the Lambs* (Jonathan Demme, 1991), with support from the BFI Film Audience Network. Released on Blu-ray and DVD, *The Wages of Fear* also played across 22 cinemas to promote its release. The ICO additionally made ten titles available for a *Who Can You Trust?* national tour, with subsidies available for five titles to incentivise venues to take risks with their programming.

BFI Player supported the season with VOD, SVOD and free *Who Can You Trust?* collections featuring popular titles such as *The Third Man* (Carol Reed, 1949), *Crimes of Passion* (Ken Russell, 1984) and *King of New York* (Abel Ferrara, 1990).

Meanwhile, our 2016 blockbuster *Black Star* continued its international journey, with a series of over 20 films and special events at the Toronto International Film Festival in Canada in November. *Black Star* was our fourth BFI Blockbuster, delivered in partnership with BFI FAN, Into Film and the ICO, and explored a galaxy of black acting talent, spotlighting the creativity and charisma of trailblazing performers, and celebrating the transatlantic wave of black British talent.

Future Audiences

Animation

The year-long animation programme Animation 2018, in partnership with the BFI Film Audience Network, launched in January with 300 newly digitised and contextualised British animated films being made freely available on BFI Player. Three cinema programmes (of over 30 titles) of British animated films restored by the BFI National Archive premiered at BFI Southbank before touring internationally.

BFI Southbank

Popular programme highlights at BFI Southbank included a retrospective of German director and provocateur Rainer Fassbinder and *Stephen King on Screen*, a season celebrating the author's 70th birthday. *Girlfriends*, a season exploring women's friendships in all their various cinematic forms, attracted a young female crowd, packing out NFT1 with a Valentine's Day special screening of *Romy and Michelle's High School Reunion*.

Also drawing in young crowds was BFI Southbank's preview of *Black Panther*. It was the first public screening in the UK and the only UK event featuring a Q&A with director Ryan Coogler and tickets sold out in two minutes after going on sale.

Throughout the year, several guest curators built seasons around contemporary releases at BFI Southbank; producer Stephen Woolley meticulously researched *Girls Like Us* a WW2 season to contextualise the premiere of his film *Their Finest*, Christopher Nolan curated a completely digital-free season of films which had inspired his latest feature *Dunkirk* and Edgar Wright programmed a selection of car chase movies to tie in with a preview of his new work *Baby Driver*.

On BFI Player, *Britain on Film* collections proved to be as popular as ever and new collections launching to extensive press coverage included *Britain on Film: Coast and Sea*, *Tennis on Film* and *Jewish Britain on Film*. *1918 on Film*, a 70-film collection telling the story of British cinema in 1918 helped complete an epic, 400-title strong story of British cinema during WW1, extending and enhancing understanding of and access to the films of this period. Also tying in with the centenary of votes for women in the UK, *Suffragettes on Film* showed how suffragettes were depicted in early cinema. The collection, which was promoted on BFI Player, YouTube and via social media, combined actuality footage with satires including the first filmed representation of British suffragettes from 1899. Online video views for *Britain on Film* across all BFI platforms crossed over 35 million this year.

Sight & Sound's Best Films of the Year poll was transformed into a deep, interactive visualisation of the full results and was the magazine's most viewed online content of the year – generating over 200,000 views. The results of the poll – particularly the positioning of *Twin Peaks* at number two on the list – generated a huge amount of often outraged debate on social media about the nature of film and television.

Working with partners in the UK

As the landscape for film, television and the moving image evolves and expands, we are working with partners to give all audiences opportunities to enjoy a wide range of culturally rich material, in venues and on demand. We are also refocusing our audience-facing investments to maximise the impact they can make at a national and regional level.

Audience Fund

We have developed a simpler, more accessible and responsive National Lottery-backed Audience Fund geared to better supporting distributors, exhibitors, festivals, national and touring programmes, multi-year projects and our partners. Using funding from the National Lottery, the BFI Audience Fund is underpinned by our desire to boost diversity and inclusivity, and to build a broad film culture across the UK which recognises and values the quality of difference and seeks to rebalance under-representation on screen, in the workforce and in audiences.

Film Audience Network

In 2017 we strengthened our commitment to devolving more decision-making outside London by building on the success of the BFI Film Audience Network (FAN) across the UK. A unique collaboration made up of eight lead Hubs managed by leading film organisations and venues around the country, FAN has been the backbone of our strategy to ensure the greatest choice of film is available for everyone. FAN is made up of over 1,500 partners who are a mix of venues, festivals, community cinemas, programming collectives and assorted others. The partners now have a greater focus on local and national collaboration and work more closely with organisations such as the BFI National Lottery-backed Into Film and its UK-wide 10,000 film clubs in schools, the BFI Audience Fund, and the BFI Film Academy, with the collective aim of bringing together existing regional and local expertise to engage and involve more people from every background, regardless of where they live.

FAN organisations now have greater responsibility for directly awarding National Lottery funding to support and coordinate local distribution strategies, audience development projects, festivals, education activity and key programmes that better meet the specific needs of their exhibitors and audiences.

In a further development move six BFI NETWORK talent executives were also appointed to the English Hubs to give on-the-ground support to new filmmaking talent in the place where they live. These changes recognise the strength of the Hubs as spaces for filmmakers and audiences to meet and reflect the similar BFI NETWORK arrangements which already exist in Northern Ireland, Scotland and Wales. This framework will help aspiring filmmaking talent across the UK to access support as well as guidance on the full scope of funding and training opportunities available to develop careers across the screen industries.

This move has further realigned our activities to better match Arts Council England's regions and create greater potential for cultural partnerships and collaborations.

Digital

During 2017/18, there were 2.5 million visits to BFI Player, with a total of 1.2 million film views in the year. Material from Britain on Film was viewed 840,000 times, continuing its position as the most popular element of BFI Player.

Meanwhile, there were 260,000 plays of feature films during the year from our transactional and subscription services, up 20% from the previous year. This growth means our nationwide online audience who watch feature films is close to the size to our audience at BFI Southbank.

The distribution footprint of BFI Player expanded this year through a partnership with Amazon Prime's Channels programme. The subscription element of BFI Player is now available for Amazon customers to add to their existing Prime TV package.

To ensure that everyone, everywhere in the UK is able to enjoy more of their moving image heritage

Heritage 2022

We have established a National Lottery-backed digital transformation programme – Heritage 2022 – to focus on at-risk formats and rare and unique materials held within the collections of the BFI National Archive and regional and national film archives across the UK.

Heritage 2022 will identify and preserve through digitisation irreplaceable, culturally significant material at-risk across videotape, film, paper as well as up to 100 film prints. It is a complex mix and challenging programme of work.

The risk to video in particular has been widely acknowledged as a time-sensitive priority for all collection holders. With workflows defined for mass digitisation, the programme aims to preserve up to 100,000 titles from at-risk videotape formats by 2022 before the window to secure a digital future for video collections closes. There are a finite number of playback machines and spare parts in working condition – and crucially a generation of highly specialised support engineers nearing the end of their careers.

Through further enrichment of data and by working with rightsholders and significant archival collections we aim to enable public access to the digital surrogates of these materials so that everyone, everywhere in the UK can enjoy, gain knowledge and explore in the future.

By shifting the emphasis from physical preservation to digital preservation, where our new state-of-the-art Digital Preservation Infrastructure (DPI) will provide data security, succession and access, the preservation of the physical collections can then be improved through relocation to cold storage and minimising human contact with delicate and unique originals.

UK Filmography

In September 2017 we launched the BFI Filmography, the world's first complete and accurate living record of UK cinema that meant that everyone – from film fans and industry professionals to researchers and students – could now search and explore British film history, for free. A treasure trove of new information, the BFI Filmography is an ever-expanding record that draws on credits from over 10,000 films, from the first UK film released in cinemas in 1911 through to present day, and charts the 250,000 cast and crew behind them. The BFI Filmography launched with new and revelatory findings about the gender imbalance in UK films, both in on-screen and off-screen roles. While the BFI Filmography began with a detailed look at gender, we continue to build on the data to provide a greater understanding of BAME representation on and off screen.

The development of the BFI Filmography was a major commitment in BFI2022 and with its launch the UK is the first major filmmaking territory to make available the complete data of its feature film output. This unique resource furthers the opportunity for film enthusiasts to discover and view thousands of films from the archive, which are available online on BFI Player and through the recently revamped BFI Mediatheque at BFI Southbank and mediatheques UK-wide.

Future Learning and Skills

Giving everyone the educational opportunity to build a lifelong relationship with film.

Young people are the most intensive users of moving image and have, generally, the clearest vision of where screen-based communication, entertainment, knowledge and learning will fit into their lives. Our ambition is to create clear progression paths, both for future audiences as they develop a passion for film, and for talented young people who will be the future of our film industry. With *BFI2022* we are mapping together education, learning and skills development across all our funded partners and exploring how our UK-wide venue partners, BFI Player and other online partnerships can become more relevant to our future audiences.

Meeting the skills needs of the future

UK film is worth £4.3 billion to the economy and is the UK's fastest growing sector, currently employing around 66,000 people, over 70% of whom are employed in film and video production. To gauge the skills needs for the future, we commissioned a review with practitioners across the industry to identify key measures to enable continued future growth and competitiveness.

Drawing on the findings of this review and working in partnership with the industry, our new *Future Film Skills 10 Point Action Plan* has identified multiple skills gaps across the sector – including key areas such as production and art departments, construction, electrical, camera, costume, hair and make-up, post-production, and visual effects – and highlighted the need for 10,000 new entrants to join the workforce in the next five years. It also urges the industry to take urgent measures to tackle the lack of inclusion in the screen industries.

The *10 Point Action Plan* was launched by the Secretary of State, for Digital, Culture, Media and Sport at an event in Parliament in June 2017 to some of the biggest names in film and education. The Plan embodies a UK-wide challenge to the screen industries and education sector to support its ambitions for skills growth which include an estimated 30,000 job opportunities over the

next five years. It is also a call for people with transferable skills and young people – especially those from underrepresented groups – to join a booming industry that is recognised the world over for its highly skilled workforce and state of the art facilities in film, high-end TV, animation, VR and interactive media.

We are investing £20 million of National Lottery funding over the next five years to support this skills plan, in line with our commitments to the future as set out in *BFI2022*. We anticipate this investment will leverage match funding from the industry's own Skills Investment Fund to become a cornerstone of this industry-owned and industry-led initiative for the future.

BFI Future Film Skills Programme

In December, we announced that the UK's industry skills body Creative Skillset would deliver the majority of the BFI's Future Film Skills Programme, as a key strategic priority of *BFI2022*.

The award endorsed Creative Skillset's shift to concentrate entirely on skills across the UK's screen-based creative industries. The decision to award the National Lottery funding to Creative Skillset followed a competitive call for applications, overseen by a panel of industry leaders, chaired by Barbara Broccoli.

BFI Film Academy

Now in its sixth year, the BFI Film Academy is backed by Department for Education (DFE), National Lottery and industry support to give talented 16–19 year olds opportunities to develop the specialist filmmaking skills they need to be part of the future of the UK film industry. The BFI Film Academy also offers bursaries to help those in need with costs to remain open to as diverse a range of young people as possible.

Future Learning and Skills

Giving everyone the educational opportunity to build a lifelong relationship with film.

More than 5,000 places have been created for young people on courses across the UK since 2012. Of all alumni, 85% have pursued film education or become employed in the sector, with only 5% reporting not continuing any film-related activity since completing the Film Academy.

The DFE has confirmed a further £2 million investment in the future of the Film Academy to 2020. At this year's graduation ceremony, 66 talented young students premiered their work at BFI Southbank to an audience of UK film industry leaders. With the BFI Film Academy becoming a trusted and effective route into the industry, the annual graduation is regarded as an opportunity to spot and meet new up and coming talent. Companies attending this year included BBC Films, Lucasfilm, Number 9 Films, Working Title, Pathé, Warp Films, Origin Pictures and Lionsgate.

LucasFilm traineeships

In 2017, the BFI in partnership with LucasFilm developed and instigated the Future Skills programme, a traineeship programme designed to give opportunities for a career in film to under-represented young people from all over the UK. Since the pilot launch in September 2016, the programme has provided 28 trainees, the majority of whom are BFI Film Academy alumni, with an exceptionally high level of training and exposure at one of the industry's most successful production companies, working as paid trainees in a variety of craft and technical roles. The BFI Film Academy was identified as the primary source of trainees for the programme, with a small number of trainees from other specialised training backgrounds in areas where a particular skills gap (such as hair and make-up) was not served by current Film Academy courses. Against diversity targets, the first round of the pilot has proved highly successful – particularly in terms of gender and BAME. The cohort was 75% female, 45% BAME, 36% in receipt of free school meals and 68% of participants recruited from outside of London.

In 2018, the pilot will be extended and it is expected that almost 60 trainees will complete the Future Skills pilot programme. This cohort should provide us with rich data to show the impact of our intervention to help young people overcome the barriers that prevent many of them from being aware of opportunities in the film industry. This ambition is a key underpinning of our Future Film Skills strategy and could provide a model for onward entry level trainee recruitment.

Future Film Festival

The UK's premier film industry festival in support of emerging young filmmakers – BFI Future Film Festival – returned to BFI Southbank in February 2018 for its 11th edition. The festival is now over ten years old and has doubled in size since its inception, with a jam-packed four days of nearly 60 events. Open to 16–25 year olds, the festival delivered interactive masterclasses, industry workshops, screenings and Q&As covering the breadth and depth of the film industry from animation and fiction to documentaries and experimental filmmaking.

This year's Festival received over 2,000 submissions from across the UK and internationally, the best of which were nominated for the BFI Future Film Awards which have a cumulative prize of over £12,000. The awards are made up of five UK categories recognising experimental shorts, new talent, and best short films for filmmakers aged 16–18 and 19–25. Two additional international awards were supported by The London School of English.

Into Film

The core remit of our BFI National Lottery funded education partner Into Film is to deliver a film education programme – watching, making and understanding film – for 5–19 year olds that can be accessed free of charge by every state school and eligible youth group in the UK. It has an additional emphasis now on 16–19 year olds in support of the BFI FAN focus on developing young audiences aged 16–30.

Into Film recorded over 9,000 extra-curricular film clubs UK-wide in 2017, with 20% of 5–19 year olds actively engaged. Figures were above the national average for free school meals which indicates that the programme is reaching priority groups. Their online resources were downloaded 190,000 times in 2017–18 and 4,800 UK educators participated in a CPD programme.

Into Film's work acknowledges the vital role that learning has to play in developing the film audience of tomorrow (and today) and in fostering curiosity and knowledge that lead to a passion for film and cinema.

Into Film's work with schools is key to helping us make a sustainable shift to film's place and status in education and cultural learning and to ensure film is embedded in formal and informal teaching and learning practice, and the cultural offer of schools.

The annual Into Film Festival saw 486,000 attendees with well over 400,000 being children and young people.

Future Talent

Supporting creative and influential filmmakers whose work is admired throughout the world.

As filmmakers and audiences continue to make fewer distinctions between film, television and other digital media (such as games, online video and virtual reality), we are making sure our funds remain relevant, responsive and adaptive and that they are targeted to make the most impact for the industry and audiences. And we are urgently addressing barriers in the film industry around inclusion and opportunity that are limiting the industry's creative potential and cultural relevance.

Production and Development

BFI National Lottery backed films had a strong year with many productions achieving prominence including two features premiering at the Cannes Film Festival – *I Am Not A Witch*, the arresting debut feature from writer/director Rungano Nyoni, and Lynne Ramsay's searing *You Were Never Really Here*. Rungano Nyoni went on to garner further accolades with a BAFTA for Outstanding Debut, and two BIFAs for debut director and best director, marking her work as the first project to be supported by BFI NETWORK through BFI Production and on to the BAFTAs.

In September 2017, Toronto International Film Festival (TIFF) featured a bumper selection of BFI National Lottery backed titles as *Grace Jones: Bloodlight and Bam!* (Sophie Fiennes, 2017) and *I Am Not A Witch* opened and closed their respective sections for TIFF documentaries and 'discovery film' respectively, *Breathe* (Andy Serkis, 2017) was a Gala Screening, *Mary Shelley* (Haifaa al-Mansour, 2017) and *Journey's End* (Saul Dibb, 2017) had their world premieres and *Dark River* (Clio Barnard, 2017) and *Beast* (Michael Pearce, 2018) screened in the Platform section.

January 2018 saw the Sundance Film Festival premiere of *Colette* (Wash Westmoreland, 2018), *Yardie* (Idris Elba, 2018) and *An Evening With Beverly Luff Linn* (Jim Hosking, 2018). Other notable theatrical releases included debut features *Lady Macbeth* (William Oldroyd, 2017) and *God's Own*

Country (Francis Lee, 2017) both of which delivered impressive box office. *Lady Macbeth* won five BIFAs and BAFTA nominations, and *God's Own Country* received nominations and accolades at Sundance, Edinburgh International Film Festival, BIFA and BAFTA.

In October at an event during the BFI London Film Festival we announced important changes to our film funding guidelines including new diversity and inclusion targets for all National Lottery backed films. Other changes included the creation of six regional BFI NETWORK talent executives, a clear set of funding priorities, the ability to fully-finance projects, and the removal of restrictions on form and length of content. Starting with the new funding year in 2018, diversity and inclusion targets will be set across our talent development work (through BFI NETWORK), our development funding, and our production funding. We will monitor and report our decisions annually, across the writers, directors and producers of supported projects, and in terms of gender, ethnicity, sexual orientation and disability.

Support for documentaries

Following changes to our documentary awards structure, Doc Society have been confirmed as the official partner for the BFI's documentary activity and launched their new funding activity in March 2018. The BFI Doc Society Fund will develop storytellers from all parts of the country and all communities, backing feature projects with bold cultural and social ambitions, across a range of platforms.

BFI NETWORK

BFI NETWORK is dedicated to the development of new and emerging filmmakers. In changes announced this year, responsibility for funding decision-making was passed to the regions through the BFI Film Audience Network and with the appointment of six new BFI NETWORK Talent Executives in the English regions. The talent executives will play a significant part in shaping

the BFI's engagement with emerging talent in the area where they live. Supported by National Lottery funding, these new roles will ensure that emerging filmmakers around the country can access expertise and information about funding for short film and early development work as well as creating opportunities to connect and network with the local industry and established professionals.

The new BFI NETWORK Talent Executives join the existing talent development executives in Northern Ireland Screen, Ffilm Cymru Wales and the Scottish Film Talent Network who all help to deliver BFI NETWORK. Doc Society, who were recently appointed to run the BFI's documentary funds, are currently developing a programme for new and emerging documentary filmmakers, as part of BFI NETWORK.

Initiative and targeted events were undertaken year round, such as BFI NETWORK x BAFTA Crew, the BFI NETWORK Weekender and mentoring programmes at both the BFI London Film Festival and BFI Flare. Supported with BFI National Lottery funding, NETWORK@LFF is now in its fourth year and has built a strong track record with alumni successfully establishing careers, producing award-winning shorts, developing features and finding roles within television and beyond. This year 17 participants with an impressive range of experience across film, television, theatre and artists' moving image were selected from 260 applications. The NETWORK@LFF programme offered masterclasses, screenings, networking and one-to-one sessions with visiting international filmmakers and executives who are screening work at the LFF, with the goal of helping them take the next step in their careers.

Microwave Talent Support

Film London's Microwave feature filmmaking scheme is now in its ninth year of funding and providing development and mentoring support to 12 shortlisted projects, as well as production finance and distribution support for its final two commissioned films. Microwave support is given to develop bold and surprising films and to champion emerging filmmaking talent that reflects the diversity of London. It is funded by the BFI and BBC Films, with support from Creative Skillset's Film Skills Fund, funded by the BFI with National Lottery funds, through the Skills Investment Fund (SIF).

The two features selected for this year's final commission and production and distribution funding are *Violets are Blue* from writer/director Marley Morrison and *Mari* from writer/director Georgia Parris.

Creative England iFeatures

Creative England's iFeatures scheme, supporting directors and writers making their first features, continued to achieve success this year with *Lady Macbeth* and *Apostasy* (Daniel Kokotajlo, 2017) enjoying critical acclaim and firmly establishing exceptional new talent. Both films achieved awards recognition, with Dan Kokotajlo winning this year's IWC Schaffhausen Filmmaker Bursary Award in association with the BFI. iFeatures is funded through National Lottery funding from the BFI and supported by BBC Films. Its Lab programme is supported by Creative Skillset's Film Skills Fund.

International

Export and co-production

The BFI's Film Export Fund supported the sales and promotion of UK films at key festivals during the year, and in November 2017 the International Fund supported a UK stand at the American Film Market for the first time. This recognised the priority given to the North American export market and the ongoing challenges faced by the sector.

The UK's presence at Berlin, FILMART, Cannes and Toronto was also amplified by the UK Film Centre acting as a base for meetings, information and visual promotion, delivered by Film Export UK with an award from the International Fund.

The Cannes Film Festival also saw us showcase up-and-coming UK talent who have projects in the market, at a well-attended GREAT8 event in collaboration with the UK Government's GREAT campaign and the British Council.

At the Dubai International Film Festival we supported and helped to develop a talent exchange project to strengthen ties between filmmakers in the UK and Arab world. This was in the context of the year of UK and the UAE and was run in partnership with the British Council.

The BFI's work to strengthen relationships with China continued in earnest, in tandem with increasing engagement from the industry, especially the growth of film sales to China. In July 2017, we took a cross-industry delegation to Beijing for a week of meetings, presentations and networking with the Chinese industry, resulting in a hugely richer network, market understanding and business opportunities created.

2017 also saw the international release of the first co-production made under the UK and China film treaty: *Earth 3D: One Amazing Day*.

In March 2018, funded by the Department for International Trade (DIT), we delivered a week-long placement programme in the UK for five exceptionally gifted Chinese film executives, who were briefed by top industry figures, then placed with UK film companies and introduced to a range of UK professionals and talent each evening. This was a valuable developmental opportunity for all concerned.

We continued our support for the Dinard Film Festival, and also worked to maintain our relationships with partners across Europe.

Inward investment

It was another very strong year for international film and TV production in the UK with a £1.69 billion spend from inward investment feature films and £684 million from high-end television. Films included *Jurassic World: The Fallen Kingdom*, *Aladdin* and *Outlaw King* while television investments covered *Game of Thrones*, *Outlander* and *The Dark Crystal: Age of Resistance*.

With inward investment spend from major international productions topping £2.37 billion, these record-breaking figures highlight the strength and creativity of the UK's film and high-end TV industries, our world-class facilities and great locations, alongside the vital tax reliefs for the screen industries.

Several of the titles, including *Jurassic World: The Fallen Kingdom*, *Trust* and Wes Anderson's animated feature *Isle of Dogs*, received backing from the British Film Commission (BFC), the UK agency supported by the BFI through Grant-in-Aid and National Lottery to maximise the production of international feature film and high-end television in the UK, particularly for the US.

The BFC (also funded by DIT) worked closely with production and location service teams at other BFI-funded agencies across the UK including Creative England, Ffilm Cymru Wales, Film London, Northern Ireland Screen and Creative Scotland, as well as a network of film offices and local authorities, to help with locations, studios and crew and also to ensure that inward investment opportunities are distributed equally across the UK.

BFI Certification Unit

The BFI Certification Unit is responsible for certifying films, high-end television programmes, animation television programmes, children's television programmes and video games as British, either under the relevant Cultural Test or (for film and television) as official co-productions under one of the UK's 12 bi-lateral treaties (five of which allow television co-production) or the European Convention. A separate UK/China Television treaty came into force in December 2017. The Unit also assesses the BFI Diversity Standards.

The Certification Unit promotes and markets the creative sector tax reliefs at events and conferences around the UK. These include Annecy, FOCUS, Edinburgh TV Festival, Manimation and the Children's Media Conference for animation television, children's television and HETV; the Cannes Film Festival, Sheffield Doc Fest and EIFF for film; and London Games Festival, PGC, GamesForum, EGX Rezzed, Yorkshire Games Festival and Develop for the video games sector. The Unit also ran animation and children's television seminars, plus a webinar with DIT. They are planning their fourth Video Games Day for 2018.

Public Policy, Research and Statistics, Leadership and Advocacy

Public policy, leadership and advocacy

This was a year dominated by the launch of our new five year strategy BFI2022, engagement with Government and the screen sectors in relation to the new industrial strategy, preparations to leave the European Union and furthering opportunities to strengthen and build international relationships.

BFI2022

Following an extensive nationwide and online consultation across the industry and the wider public, we launched our new five year strategic plan BFI2022 at events in Birmingham and London in November 2016. The consultation also included roundtables and roadshows with the wider screen industries covering film, animation, high-end television, children's TV, games, and interactive and immersive technologies.

BFI2022 builds on the foundations laid by *Film Forever* to create the conditions for a vibrant, national film culture in which independent film is widely enjoyed as part of a diverse and thriving UK film industry. It will help us meet the demands of a rapidly changing film landscape and technological revolution as well as the new post-referendum opportunities and challenges. BFI2022 will invest almost £500 million from 2017–2022 (made up of Government Grant-in-Aid, BFI earned income and National Lottery funding) and focus on audiences and culture, supporting film education and skills development, and backing exciting new filmmaking.

Working with our partners across the UK, we will deliver BFI2022 through a range of innovative and bold measures that include: adopting a new approach to funding filmmaking not necessarily destined for the cinema; building capacity across the UK by devolving more decision-making and funding outside of London; improving job opportunities and diversity in the screen sector workforce with a new skills strategy; increasing support for emerging filmmakers and independent

film distributors; making sure that everyone in the UK (with a particular focus on young people) can enjoy and learn from a broad range of the best British and international filmmaking; and aiming for all UK film productions to voluntarily adopt the BFI Diversity Standards.

On the international front, BFI2022 has refreshed and strengthened our existing strategy to help us boost the export of UK film, skills and culture. We are aiming not only to sustain a globally competitive UK film industry, but also to make sure that our inward investment strategies reflect the growth to be generated by existing screen tax reliefs, along with the benefits of the UK's highly skilled workforce, world-class talent and infrastructure.

Exiting the EU

With the UK's negotiations with the European Union ongoing, we have been working with members of the BFI's Screen Sectors' Taskforce, which brings together representatives from across the broader screen industries value chain. The Taskforce meets regularly to discuss the impact of the decision to leave the EU on our workforce, EU funding streams, future market access arrangements and the regulatory and copyright environment. We have engaged with Government and across Whitehall departments to ensure that the interests of our industry are proactively represented at every level of negotiating the new post-EU Exit landscape. To this end, we are working closely with ministers across DCMS, the Department for Exiting the European Union and the Department for Business, Energy and Industrial Strategy.

We commissioned a number of research studies on the cultural, economic and legal implications of exiting the EU. We used the findings as the basis for regular events and information sessions with the Government, the UK industry and with our European counterparts especially our European Film Agency Directors (EFADs) colleagues. Even after we have left, the EU will remain an important

market for British films (the EU accounts for 38% of film exports), so it is vital to keep seeking to influence the shape of that market.

Areas we have focussed on include:

- The impact and implications for the film, high-end television and games sectors, especially with regards to future access to European funding or to new replacement funding
- Issues around the freedom of movement of talent, labour, goods and services
- Working closely with the EFADs to ensure that the UK's voice is heard at European forums, particularly while the UK remains in European Union, and to ensure that any new trading arrangements with the EU works in our mutual best interests
- Actively engaging with the European Commission and the European Parliament to help influence the Digital Single Market proposals, country of origin principles and broadcasting freedoms.

Movement of creative workers and equipment remains a key concern for the sector, and we have been working with the Migration Advisory Committee to make sure any future immigration framework takes into account the needs of the screen industries.

UK co-productions will also still count as European after EU Exit as they are governed by the Council of Europe rather than the EU.

Access to EU funding has been instrumental in the growth and success of our sector. A report we commissioned from SQW on flows of EU funding into the UK screen industries has highlighted the considerable contributions received between 2007 and 2017. The sector received almost £300 million in funding through a combination of schemes, with the Creative Europe MEDIA programme and the European Regional Development Fund being most significant.

With this in mind, we were delighted to receive confirmation in December 2017 that the UK intends to remain part of the existing Creative Europe programme until December 2020. It has been another successful year for our team at Creative Europe Desk UK who continue to promote the Desk's services and give advice to the UK's creative professionals and prospective applicants. Through Creative Europe's MEDIA sub-programme, €12.8 million was invested in the UK's audio visual sector in 2017: 41 UK companies and 46 UK cinemas in the Europa Cinemas network benefitted directly from grants totalling €6.7 million, while 52 British films had their distribution supported in other European countries with €6.1 million of investment.

In June, we partnered with the Edinburgh International Film Festival to host a session at the EIFF Screen Summit 2017 on prospects for the UK screen sector in Europe post-EU Exit. Speakers included Manon Ardisson, producer of EIFF's opening night film *God's Own Country* and Guy Daleiden, CEO Film Fund Luxembourg and EFAD Deputy Chair. We held further EU Exit panels at the BFI London Film Festival and at the Cannes Film Festival.

Our future role in the EU Exit negotiations

The UK and EU negotiating teams have recently published a 'Topics for discussion on the Future Framework' setting out areas to be considered in the next round of talks in June 2018. We were extremely encouraged to see a proposed cooperative accord on culture and education. Broadcast is also due to be discussed in the context of a future economic partnership. The cooperative accord relates closely to the work that we have been undertaking with the Screen Sectors' Taskforce and we expect to continue to play a major role in shaping the UK's position ahead of the talks in June.

Public Policy, Research and Statistics, Leadership and Advocacy

Industrial Strategy

The Government's Industrial Strategy Green Paper has been hugely important in preparing the UK for once it has left the European Union and, crucially for us, it has recognised the important economic contribution that our sector achieves for the UK, and its potential for the future.

As the convener of the UK Screen Sectors' Taskforce, and in partnership with the UK's national screen agencies and trade bodies, we submitted a detailed response to the Green Paper that was closely aligned and supported by findings from our BFI2022 consultation. The submission proposed three principal goals: making the UK the most creative place in the world with a skilled and talented workforce; creating and retaining IP; and spreading growth and opportunities to everyone across the whole of the UK.

The Creative Industries Sector Deal that emerged from the Green Paper consultation acknowledged the significance of the screen sectors and emphasised education and skills development, the importance of diversity, growing sustainable businesses, maximising the value of creative IP, generating an international agenda focused on export and inward investment, and enhancing infrastructure to ensure we remain competitive on the world stage.

The Sector Deal also recognised that almost half of creative businesses are concentrated in London and the South East – an issue we have highlighted in BFI2022. We are supporting the Government's drive to tackle this inequity through new public investment and industry backing for leading creative industries clusters with the potential to compete globally and become world-class, unlocking growth, investment and jobs. As part of this ambition to strengthen the sector across the UK, we were delighted to announce the first investment from our new Creative Clusters Challenge Fund to a programme led by Screen Yorkshire.

Diplomacy

During the year we hosted visits from the Danish parliament's culture select committee; a senior policy official from the Greek culture ministry; 20 politicians and cultural leaders from Gothenburg in Sweden; a visit by the Pakistan Minister for Culture; and Brazil's Minister for Culture. We have also engaged with the cultural teams at the Australian High Commission and those working with the new US Ambassador to further cultural ties and to exchange knowledge. Closer to home, we have taken part in raising the profile of projects and activities funded through National Lottery in Parliament through drop in sessions for new MPs, and working with Camelot to place film at the heart of their annual reception for the Lottery distributors at the House of Lords.

Diversity and Inclusion

BFI2022 has inclusion and representation at its heart, providing opportunities for everyone to engage in film – in education, as part of an audience, or as filmmaking talent in front of or behind the camera. At an event during the BFI LFF we announced new diversity and inclusion targets in our funding guidelines which will now cover talent development work (through BFI NETWORK), as well as development and production funding for all National Lottery backed films. We will monitor and report our decisions annually, across the writers, directors and producers of supported projects, and in terms of gender, ethnicity, sexual orientation and disability. We have been guided by these principles for a long time, but they now have been put in place formally from 1 April 2018.

The first-ever Set of Principles and Guidance to tackle bullying and harassment specifically tailored to the screen industries were published in February 2018 in response to the urgent and systemic issues revealed during the last quarter of 2017. Galvanised by a determination to eradicate bullying and harassment and to support victims

more effectively, the guidance was developed by the BFI in partnership with BAFTA and in consultation with organisations including guilds, unions, industry member bodies and key agencies as well as employees and freelancers. From April 2018, a new Film and TV Support Line from the Cinema and Television Benevolent Fund will be set up, free of charge for anyone working in the film and television industry.

The set of eight Principles cover a shared responsibility to respect others, adopt a zero tolerance approach to bullying and harassment, adhere to the laws around equality and health and safety, protect victims and witnesses, respect confidentiality, and ensure that rigorous processes are in place for reporting and underline the value of inclusivity. We have incorporated the Principles and Guidance in to our own BFI Diversity Standards to promote inclusion and representation across the industry.

We are further planning to develop a module on bullying and harassment as part of the BFI Film Academy curriculum from September 2019 and we are in advanced discussions with Creative Skillset for the guidance to be part of any future training offers funded by them. We are also working with Into Film to integrate an understanding of these issues into appropriate programmes.

Research and Statistics

The Research and Statistics Unit (RSU) continues to be a vital part of the BFI supporting the industry through the collation and publication of statistics and commissioning of reports relating to the film industry and tax relief supported screen sectors. In 2017, this included the publication of a study on the impact of leaving the EU on the UK's screen sector, a mapping study of EU Funding in the UK and an evidence review of workforce diversity. Other projects in the pipeline include the economic impact of the screen sector tax reliefs and further work on international territories, workforce diversity

and the cultural and social value of film. In 2018, the Unit will be hosting a symposium for the benefit of the industry and to share data and insight on a variety of screen sector hot topics.

The 2017 Statistical Yearbook comprised 22 chapters of comprehensive data and information about the film industry collated from 18 published data sources as well as original data produced by BFI statisticians. The Yearbook covers a diverse range of information including film at the UK and International Box Office, Specialised film, Distribution, Exhibition, Film on TV, physical and digital video, production, certification, talent and awards as well as public investment and the film economy. In 2017, the RSU also published 14 official statistical releases and every week publishes the UK's weekend box office figures which is one of the most regularly accessed features of the BFI's website.

Fundraising and Philanthropy

The generosity of our many supporters, whether they be charitable foundations, corporate partners or individual donors, is at the heart of the BFI's ability to achieve its mission. With their help, 2017/18 was another successful year in which we exceeded our fundraising target and secured £6.2 million in donations and gifts in kind.

Highlights of the year included our biennial LUMINOUS fundraising gala, in partnership with IWC Schaffhausen. Over 400 guests joined host Jonathan Ross, guest speaker Tilda Swinton, and a host of luminaries, including Tom Hiddleston, Sir Patrick Stewart, Wes Anderson, Hugh Laurie, Tuppence Middleton, Michelle Dockery, David Harewood, Romola Garai, Jeremy Irons, Stephen Fry, Baz Luhrmann, Terry Gilliam, Sarah Gavron, Ben Wheatley, Zawe Ashton, Joanne Froggatt, Joan Collins, Lord and Lady Fellowes, Gemma Chan, Katherine Waterston and Jason Watkins, to celebrate the past, present and future of British Film. £460,000 net was raised on the night to support the next generation of filmmakers and audiences. The evening also saw the second IWC Schaffhausen Filmmaker Bursary Award in association with the BFI go to Daniel Kokotajlo, the writer and director of *Apostasy*. This £50,000 Bursary is the most significant award of its kind in the UK film industry and plays a vital role in nurturing outstanding British talent.

LUMINOUS also marked the launch of BACK THE FUTURE – our year-long campaign to secure £1 million for BFI Education to demonstrate the impact of film education and raise the profile of the BFI's work with young people. This will enable us to deepen national engagement with film – especially with individuals who might not have such opportunities easily available to them – enrich learning, build practical skills and help young people understand and contribute to the world around them.

BFI Festivals benefited from increased sponsorship and philanthropic support this year. American Express® continued its incredible partnership with the BFI London Film Festival and American Airlines returned as a Main Sponsor, alongside Royal Bank of Canada. We secured new funding for BFI Flare: London LGBTQ+ Film Festival from Pureland Foundation, which came on board as Main Supporter for the next three years, and from Sky as BFI Flare year-round supporter. We were also delighted to welcome LaCie as Headline Partner of BFI Future Film Festival, who helped us deliver another exceptional industry event for filmmakers aged 16-25.

The BFI has been the grateful recipient of significant gifts to support specific projects and ambitions over the year, from a number of generous philanthropists. Of particular note, this year, Simon Hessel, one of the BFI's first-ever donors, reached the milestone of surpassing £1million cumulatively given to our charitable work. This is an incredible individual contribution and has enabled numerous critical restorations at the BFI National Archive. We are especially thankful to Simon for his continued generosity.

In 2017/18 the number of BFI Patrons and Film Forever Club members continued to grow, providing both valuable financial support and a growing number of passionate advocates for our work. The Patrons' Gala at LFF and the year round programme of preview screenings and special events enabled our individual supporters to get even closer to the BFI's work. We are also hugely grateful to those who joined the Patrons' Consortium, which funded two new awards for talented young filmmakers at the BFI Future Film Festival as part of the BACK THE FUTURE campaign.

Across the year, we also received significant support through legacy gifts, with eight gifts left to the BFI totalling £750,000. In 2018/19 we will grow awareness of how to support our work with

a legacy gift and develop a Legacy Circle to thank those who have already chosen to leave the BFI a gift in their will.

We continued to foster relationships with a wide range of charitable trusts, foundations and public sector funders across 2017/18. Our three year partnership with Esmée Fairbairn Foundation on Britain on Film came to an end in 2018. The project has received an unprecedented 50m views online and transformed how people engage with archive film across the UK. The year also saw our final donation from the Eric Anker-Petersen Charity as it wound down its operations. The Charity has been a major supporter of film restoration since 1998. The David Lean Foundation also renewed its support of the BFI, with a significant gift to the BFI Trust to support fundraising for, and the work of, the BFI National Archive.

June 2017 saw the start of a two year partnership with The Mohamed S. Farsi Foundation to support our Woman with a Movie Camera strand, which celebrates and promotes the representation of women in film. Across the year we also received grants from a number of new funders, including the LUMA Foundation towards Artists Moving Image work and The Material World Foundation to support Anoushka Shankar's new score for the 2017 LFF Archive Gala screening of Shiraz.

To grow our philanthropic presence in the United States, in November we hosted special screenings of BFI backed film *Journey's End* in San Francisco and New York with director Saul Dibb and stars Sam Claflin and Paul Bettany. This was the first time the Friends of The British Film Institute, an independent, non-profit organisation which supports our work, has raised funds in New York. These events, alongside renewed support from The Film Foundation and Christopher Nolan & Emma Thomas, contributed to another strong year for donations to the Friends of The British Film Institute in 2017/18.

Charities (Protection and Social Investment) Act 2016

The BFI adheres to a Fundraising Strategy that is reviewed by the Executive Board and Board of Governors. The BFI does not utilise the services of professional fundraisers or commercial participators.

BFI fundraising complies with the Fundraising Regulators Code of Fundraising Practice. No complaints have been received in relation to BFI Fundraising activity. The BFI treats all supporters, existing and new, fairly and ensure our fundraising is legal, open, honest and respectful.

The BFI endeavours to take all practical measures to protect the public from unreasonable intrusion on a person's privacy, unreasonably persistent approaches and undue pressure to give.

The BFI also recognises that some of the people with whom we come into contact through fundraising activities may not always be in a position to understand the nature of the donation we ask them to give and the purpose for which it is being asked. We support our fundraising staff to recognise signs of vulnerability and respond to the supporter appropriately and respectfully.

The BFI takes care and makes reasonable effort in our interactions with supporters to determine whether they are able to make decisions about their giving. We do not deny anyone's wish to donate to the cause of their choice based solely on age, appearance or condition. Our intention is to inform, support and protect our donors so that they are able to make informed decisions about donating to the BFI.

Fundraising and Philanthropy

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Peter & Maggie Murray-Smith

Amanda Nevill, CBE

Lundi Nyoni

Si Overson

Anthony Pozner

Matthew Pryor

Phillip Reeves

Lisa Reuben Valk

Sue & Tony Rosner

Ruth Saleh

Michael & Gail Sandler

Lisbeth Savill

Joana Schliemann

Jim & Linda Scholes

Nick Scudamore

Angela Seay

Jonathan Sellars

Anita Siassios

Andrew Smith

CLASSIC PATRONS Cont.

Peter and Giuseppina Smith
Nicola Stanhope
Gregory Stone & Annabel Scarfe
Jan Taylor-Strong
David & Jan Thomas
Andrew Tseng
Amanda Vail
Sajid Varda
Louise L. Whitewright
Caroline Winter
Andrea Wong **

Principal Partner BFI London Film Festival

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The House of St. Barnabas
The May Fair Hotel
TV5Monde

With additional thanks to all of our anonymous donors and patrons.

* Friends of the British Film Institute is a California-based US 501(c)(3) non-profit organisation that supports the work of the BFI in the UK and the US. EIN 95-4334449.

** Donations marked with double asterisk were made to Friends of the British Film Institute.

Performance

BFI2022 detail sets out the measures for how the BFI will assess its contribution to further the economic and cultural success of film. 13 key performance measures are being tracked through to 2022.

In 2017-18 the BFI established the monitoring and evaluation framework for BFI2022 including:

- The setting of diversity and inclusion targets in relation to supported Talent
- The establishment of baselines in relation to diversity and inclusion of audiences to key BFI activities across the UK. In future years, the BFI will report on and publish the diversity of audiences for all major strands of activity including the Cultural Programme; Lottery Funded Audience Programmes; BFI Online (Digital); and Education and Skills;
- Planning for the mid-programme evaluation, to be undertaken in 2019-20; and the end of programme evaluation in 2022-23.

By 2022 BFI commits to have:

- Increased the diversity of audiences and talent supported across all BFI activities (MS1)
- Increased engagement with BFI activities across the UK and increased the quality and cultural depth of their experience (MS2)
- Increased participation of 16-30 year olds across all BFI activities and funded programmes (MS3)
- Increased access to the BFI's National Film Archive and those of the regions and Nations (MS4)
- Further conserved and digitised the most at-risk materials within the BFI National Film Archive, notably video and television (MS5)
- Ensured the opportunity to learn about the art of film in school* (MS6)

- Improved employers' ability to recruit a skilled workforce across the UK* (MS7)
- Supported talent to progress in their filmmaking careers (MS8)
- Funded a range of innovative and pioneering moving image work intended for a variety of platforms* (MS9)
- Supported British films and British talent which have received recognition domestically and internationally* (MS10)
- Invested in start-up film businesses outside of London which have leveraged additional investment and increased levels of employment* (MS11)
- Supported a greater geographic spread of inward investment production in the UK (MS12)*
- Supported an economic and cultural environment that keeps the UK film industry internationally competitive* (MS13)

Work has been undertaken to establish the methodology for acquiring the data necessary to report on measures MS1 (including Gender, BAME, LGBTQ+, Disability and Social Inclusion), MS2 and MS3 through competitive procurement led by BFI's Research and Statistics Unit.

Independent expertise has also been recruited to develop the evaluation framework, baselines and methodologies for MS4 – MS13.

The first summary of these results will be published online at bfi.org.uk by October 2018, and in the 2018-19 Annual Report.

* In years 3 and 5 we will publish results of our evaluation of BFI's contribution to furthering the economic and cultural success of film.

BFI Funded-Awards Films

Major Awards & Nominations 2017/18

BAFTA

I Am Not A Witch

Berlin

God's Own Country

Cannes

You Were Never Really Here

Sundance

God's Own Country

Wren Boys

Toronto

Dark River

Venice

Lean On Pete

Financial Review

Funding, Income and Investment in Charitable Activities

Review of the year

Income for the year to March 2018 was £96.9m – an increase of £1.2m from the £95.7m received in 2016-17, with a net increase of funds in the year of £13.1m (2017: £18.0m increase). This positive movement in funds was largely the result of property revaluations and a reduction in the net pension liability in the year.

Overall expenditure on charitable activities has increased to £98.4m (2017: £95.9m). The implementation of BFI 2022 led to a change in the presentation of the BFI's activities and some change in the balance of spend between the charitable objectives year on year. Spend on Audiences has increased to £58.9m from £54.1m predominantly due to lottery awards being made in the year to the Film Audience Network covering the period to March 2019. The reported spend on talent £26.9m (2017: £29.3m) increases by £3.4m to £30.3m once Lottery production fund awards in March 2018, disclosed within Financial and Other Commitments in the Financial Statements as condition precedent had not been met at the year end, are taken into account.

The BFI's financial strategy continues to be to seek operational efficiencies to further drive down overhead costs and to increase income from existing charitable activities, as well as seeking to exploit new sources of income e.g. to support the delivery of its core objectives.

Due to the nature of its funding and operations the BFI does not hold large cash balances.

NON-LOTTERY ACTIVITIES

Incoming resources

Incoming resources from non-Lottery activities increased in the year by a net £0.6m. An increase in incoming resources from grants, legacies, donations and other increases in income, particularly property and BFI Player video on demand services, offset a reduction in Grant in Aid and the challenging trading conditions for some BFI activity e.g. outdoor advertising and DVD distribution.

2017-18 was another successful year in fundraising for BFI. £7.5m was raised of which £5.8m (77%) were cash contributions and £1.7m (23%) gifts in kind (2017: £7.0m of which cash contributions £5.5m (78%) and gifts in kind £1.5m (22%)). The increase in the year can be attributed to continuing success in our core fundraising activities and the impact of the biennial Luminous gala.

Fund raising costs of £1.8m represent the costs of running the BFI Development division in order to raise funds for the BFI (2017: £1.6m). The increase in fund raising costs from last year was due to the costs of staging the Luminous gala.

Resources Expended

Total non-Lottery expenditure increased to £59.6m (2017: £58.4m).

Gross Transfers between funds

The non-Lottery activities received awards of £4.9m from BFI Lottery in the year to support the London Film Festival £0.75m (2017: £1.0m) and Heritage 2022 – £4.1m.

Capital expenditure of £3.6m (2017: £4.1m) was transferred from restricted to unrestricted reserves as there is no specific ongoing restriction on the funded assets. Following the expiry of restrictions on existing fixed assets, mainly BFI IMAX, a further £41.4m (2017: £nil) was also transferred from restricted to unrestricted assets.

Actuarial Gains/losses on defined pension scheme

On the FRS 102 basis the total net pension scheme deficit fell by £5.2m from £70.8m to £65.6m (2017: a £15.1m increase from £55.7m to £70.8m). The decrease in the deficit is mainly the result of improved asset returns and the assumptions underlying the present value of the scheme liabilities.

The triennial valuation by the London Pension Fund Authority Trustees as at March 2016, upon which current and future contributions are based, showed a reduced deficit of £9.6m for the whole pension scheme including lottery (2013: £12.7m). The deficit is being funded over 14 years under a deficit recovery plan agreed with the pension trustees.

Movement in asset revaluation reserve

The value of the leasehold land and buildings and associated plant and fixtures increased by £7.4m – following revaluation using publicly available indices (2017: £32.4m – following an independent revaluation by Deloitte LLP).

LOTTERY ACTIVITIES

Incoming resources

BFI's share of the incoming resources of the National Lottery Distribution Fund was 2.7% (2017: 2.7%). This equated to £44.3m (2017: £44.2m). Following the declines in Lottery ticket sales experienced in the previous two years the downward trend in income arrested in 2017-18, and good cause income remained constant year on year.

In addition the BFI received £6.9m of recoupment from its investments in the year (2017: £6.0m). Of this £1.3m (2017: £0.8m) was surplus recoupment over the original investment and was taken to income.

Resources Expended – Lottery awards

2017-18 was the first year of BFI's 5 year strategy BFI2022. Non-film right awards in the year totalled £27.5m (2017: £18.9m). The increase is predominantly due to a number of partner awards being made covering the activities for the period to through to 31 March 2019.

In addition £18.7m (2017: £23.1m) of awards were taken to Film Rights in the Statement of Financial Position.

Impairments of £12.5m (2017: £16.5m) were charged to expenditure against Film Rights.

Operating Costs and Administrative Costs targets

Operating costs in 2017-18 of £5.6m (2017: £5.6m) represent award processing and other administrative costs and the cost of generating recoupment.

Net incoming resources, comprising both our share of Lottery proceeds and recoupment income receipts in 2017-18 and after offsetting costs of generating recoupment were £48.1m (2017: £46.9m).

Award processing and other administrative costs stood at 7.9% of the net incoming resources (2017: 10%). The reduction since 2017 is a result of the production support programme being recognised as a cost of generating recoupment - were the 2017 net comparator restated on the new BFI2022 model the percentage would stand at 8.0%.

Within this, administration costs were 4.7% of incoming resources (2017: 5%).

Financial Review

Funding, Income and Investment in Charitable Activities

Actuarial Gains/losses on defined pension scheme

On the IAS 19 basis the net pension scheme deficit attributed to lottery activities decreased by £0.5m from £3.3m to £2.8m (2017: an £0.8m increase from £2.5m liability).

Film Rights and Fair Value Reserve

Film rights carried on the balance sheet decreased by £0.2m to £12.4m (2017: £12.6m).

The £0.4m decrease in the fair value reserve to £2.5m (2016: £2.9m), represents the partial realisation in the year of the anticipated future value of those production awards which have recovered their initial investment.

Reserves Policy

The Governors are committed to maintaining an adequate level of free reserves to meet any unforeseen expenditure or fall in income. This is incorporated into the financial planning and budgets going forwards and in the on-going management of activities within the available income, a significant element of which is subject to market conditions. The BFI's free net reserves (note 23) were reduced to £1.3m (2017: £1.5m) due to the timing of expenditure on restricted grants, legacies and donations.

At 31 March 2018 the BFI had consolidated reserves of £71.6m (2017: £58.5m). The increase is substantially due to the increase in the fixed asset revaluation reserves and reduction in the pension liability. As a result of the release of restrictions on fixed assets and the improvement in the pension liability, the BFI has returned to positive unrestricted funds for the first time in over a decade.

Going Concern

The BFI receives Grant-in-Aid each year from the DCMS. This is in recognition of the cultural impact of film, and the importance of the National Films and Television Archive to the nation's heritage. The government Spending Review in November 2015 confirmed indicative annual funding to BFI for the four years to March 2020. With this and its ongoing status as Lottery Distributor, the Governors and Executive have a reasonable expectation that the BFI has adequate resources to continue operating. There have been no events since the balance sheet date which would affect this view, and accordingly the financial statements for the charity, group and lottery activities have been prepared on a going concern basis.

Public Benefit

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

The BFI's Charter includes a requirement to "promote access to and appreciation of the widest possible range of British and world cinema". The BFI, as a Lottery Distributor for film, invests Lottery money and Grant in Aid to help ensure that audiences across the UK have access to a wide range of cinema. The BFI also uses Lottery and Grant in Aid to support activities including education and lifelong learning and the preservation of the UK's screen heritage. All these interventions deliver significant public benefit.

The BFI delivers public benefit and covers its operating costs utilizing a mix of income drawn from the National Lottery, Grant in Aid from the Government and income from ticket and other sales, fees and charges. In setting both the overall strategy for the organisation as the lead body for film and the level of prices, fees and charges, the Governors have given careful consideration to accessibility to the activities funded by the BFI for those on low incomes. A key part of our longer-term development strategy has involved providing free access to a wide range of the services we fund and those we run – for example, through the BFI Player, our Mediatheques and our websites, to free public screenings and broadcast partnerships. In addition to meeting our social responsibilities, the BFI also considers its impact on local communities, a diverse range of audiences, provides work experience and employment opportunities and works with schools, local authorities and many other organisations.

The BFI directly supports the distribution and exhibition of film through Lottery funding and is also the UK's biggest distributor of world cinema – non-commercial film culture from all parts of the world, both these interventions give the public access to a diversity of film culture which would not otherwise be available. The diversity of Britain's cultural life would be dramatically reduced without the BFI's interventions. We also support and directly make available a wide range of titles on all other platforms.

There are many ways in which the public accesses the BFI's work, and this range ensures we deliver the maximum public benefit for our charitable resources. The BFI activities which deliver public benefit are described in more detail in the pages of this report.

Environmental Sustainability

Greenhouse Gas Emissions

Greenhouse Gas Emissions from BFI activities fell 21% from 2016-17 to 2017-18.

Energy consumption decreased by 3.9% for electricity and 4.9% for gas. This is due in part by the facilities team putting in place better controls for air handling, chilled and compressed air. The team have also improved timing controls on machinery to reduce running time.

The reduction in gas is due to some staff being relocated from a poorly insulated temporary building into the main building at Berkhamsted and improvements made to the timing controls on our boilers across all sites.

Procurement

The BFI recognises the ability to make positive change when procuring goods and services. As such the procurement team monitor for forthcoming tenders and, in partnership with the Sustainability Manager, assess the potential to improve sustainability performance when drafting new tenders.

Travel & Transport

The BFI continues to promote sustainable travel and has increased the size of the bike cages on offer at Head Office. We also continue the offer of free Santander bike usage for travel between our London sites.

Our film transport contract continues to utilise an electric vehicle which will reduce the BFI's impact on London Air Quality.

Finite Resource Consumption

Paper consumption across the BFI increased by 30%, but is on a par with 2015/16. The increase from last year was likely due to increased activity in our Education department and to support significant refurbishment projects.

All paper continues to be FSC certified and we utilise recycled paper at our Conservation Centre where most of the paper consumption is for internal use.

Waste

Overall waste output fell by 1% compared to 16/17. Recycling rates also increased by 1.5% with virtually all of the remainder going to an energy recovery facility.

Biodiversity

Due to an erratic summer last year which was not ideal for Bees we sadly lost a colony from both Gaydon and Berkhamsted. Both Bees keepers hope to put in new colonies this year to bring our hives back to four.

In their own time some staff at Berkhamsted are slowly transforming an area of overgrown vegetation to contain plants and flowers that Bees thrive on.

How the BFI is Governed

The BFI is governed by a Board of up to 15 Governors subject to the BFI's Royal Charter. The Governors, who are also the trustees of the Charity, now submit their annual report and the audited financial statements for the year ended 31 March 2018. 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 (FRS 102).

Governors

Governors who were in post for at least part of the financial year 2017–18 or at the date of signing these accounts:

Josh Berger CBE (Chair)

Pat Butler

Pete Czernin

Idris Elba OBE¹

Gerry Fox (Member Governor)

Tom Hooper²

Matthew Justice³

Oona King⁴

J. Timothy Richards

Jonathan Ross OBE

Lisbeth Savill (Deputy Chair)⁵

Robin Saunders⁶

Andrew Smith⁷

Phil Stokes⁸

Andrea Wong

Methods of Appointment

The Chair and Governors of the BFI are appointed by the Secretary of State for Digital, Culture, Media and Sport pursuant a process regulated by the Office of the Commissioner for Public Appointments. Governors are required to comply with the Principles of Public life as described in the Cabinet Office Code of Conduct for Board Members of Public Bodies.

¹ Term commenced 10 May 2018.

² Term expired 29 May 2018.

³ Term expired 29 May 2018.

⁴ Resigned 17 June 2017.

⁵ Term expired 29 May 2018.

⁶ Term commenced 10 May 2018.

⁷ Term commenced 10 May 2018.

⁸ Term commenced 10 May 2018.

How the BFI is Governed

The Board of Governors reserves one place on the Board for a Member Governor. This appointment is subject to approval by the Board of Governors.

A Governor's term of office is normally four years. Pursuant to the BFI's Royal Charter, a Governor may only serve two terms in office. Newly appointed Governors receive a letter of appointment and induction documents which together address, amongst other things, duties, period of appointment, time commitment, remuneration, performance, and their responsibilities and duties as Charitable Trustees. Governors have broad experience and expertise in the areas of film, television, the moving image generally, business and strategy and education. All Governors are part-time, unremunerated non executives. The Board of Governors has corporate responsibility for:

- delivering the mission set out in the Royal Charter; delivering the BFI's charitable objectives; and developing the overall strategic direction of the BFI;
- ensuring that the BFI as a Non-Departmental Public Body complies with any statutory or administrative requirements for the use of public funds and to maximise value for money;
- ensuring that the BFI acts reasonably and prudently in all matters relating to its charitable status;
- appointment of the Chief Executive;
- ensuring that all BFI properties and assets are protected and effectively utilised in the pursuit of the BFI's overall mission;

- ensuring commercial activities are self-financing and aligned to the BFI core purpose and that these activities uphold fair trading standard requirements;
- ensuring that any fund-raising activity carried out on behalf of the BFI is properly undertaken and that all funds collected are properly accounted for;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
- ensuring that the BFI's rules for the recruitment and management of staff provide for appointment and advancement on merit on the basis of equal opportunity for all applicants and staff; and
- ensuring the board operates sound environmental policies and practices in accordance with the approach set out in the 1990 White Paper *This Common Inheritance*, the Government's green initiatives and other relevant guidance.

Board Assessment

The Board undertakes a formal and rigorous evaluation of its own performance and that of its committees and individual Governors on a bi-annual basis. The next evaluation is scheduled for mid-2018.

Organisational Structure

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

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

Audit, Risk & Governance

This committee reviews the effectiveness of the processes, structures, and controls used to direct, manage and account for the financial and business affairs of the BFI. The Audit, Risk and Governance Committee consider all internal and external audit reports and recommendations. In line with best practice there are two non-Governor members of the committee.

Finance

This Committee is responsible for overseeing the budgetary, assurance and value for money processes within the BFI.

Nominations & Appointments

This Committee makes recommendations to the Board of Governors about appointments to the Board and its committees and other bodies.

Remuneration

This Committee determines and keeps under review the levels of pay, and the terms and conditions of service, for the Chief Executive and other senior managers.

Composition of the current Committees during the year was:

Audit, Risk & Governance

Alison Cornwell (Chair) (Non-Governor Member)
Charles Cecil MBE (Non-Governor Member)
Phil Stokes (Non-Governor Member. Phil Stokes was appointed to the BFI Board on 10 May 2018)

Finance

Pat Butler (Chair)
Matthew Justice
Pete Czernin

Nominations & Appointments

Lisbeth Savill (Chair)
Josh Berger CBE
Matthew Justice

Remuneration

Josh Berger CBE (Chair)
Pat Butler

The Secretary to the Board of Governors and its committees is Iain Thomson.

How the BFI is Governed

Board of Governors Attendance 2017-18

The number of BFI Board meetings held in the 2017-18 financial year was six and the Governors’ attendance records were as follows:

Josh Berger CBE	5 of 6
Pat Butler	5 of 6
Pete Czernin	6 of 6
Gerry Fox	5 of 6
Tom Hooper	3 of 6
Matthew Justice	5 of 6
Oona King ⁹	0 of 1
J. Timothy Richards	2 of 6
Jonathan Ross OBE	2 of 6
Libby Savill (Deputy Chair)	5 of 6
Andrea Wong	3 of 6

All Governors are required to complete a declaration of any potential related party interests – and details of any transactions with these related parties is reported in note 29 of the Charity and Group financial statements.

Audit, Risk and Governance Committee Attendance 2017-18

The number of Audit Risk and Governance Committee meetings held in the 2017-18 financial year was three and the members’ attendance records were as follows:

Alison Cornwell (Chair) (Non-Governor Member)	3 of 3
Charles Cecil MBE (Non-Governor Member)	3 of 3
Phil Stokes (Non-Governor Member)	3 of 3

⁹ Oona King resigned in June 2017.

Executive

The Board of Governors employs a Chief Executive, Amanda Nevill CBE. Amanda leads an executive team that during the year consisted of:

Will Evans	Director of Business Affairs
Ed Humphrey	Director of Digital
Harriet Finney	Director of External Affairs
David Parkhill	Director of Finance and Resources
Ben Roberts	Director of Film Fund
Richard Shaw	Director of Marketing, Communications and Audiences
Heather Stewart	Creative Director of BFI
Francesca Vinti	Director of Development

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

Equality information:

	31 March 2018		31 March 2017	
	Women	Men	Women	Men
Board of Governors	2	8	3	8
Executive ¹⁰	5	5	5	5
Senior Managers	21	17	20	18
Employees	273	252	246	247
Total	301	282	273	278
	52%	48%	50%	50%

¹⁰ Fiona Cookson resigned on 5 August 2017 and Harriet Finney joined on 15 September 2017.

How the BFI is Governed

Better Payment Practice Code

The BFI attempts to abide by the Better Payment Practice Code and in particular to settle bills in accordance with contract. Invoices are normally settled within our suppliers' standard terms, which are typically in line with our standard 30 day terms. The average payment terms taken were 20 days (2017: 22).

General Data Protection Regulation (GDPR) Implementation

The BFI's approach to the GDPR has been implemented in line with the guidance set out for public bodies by the Information Commissioners Office. The BFI set up a GDPR Project Board in April 2017 which had oversight responsibilities in relation to the BFI's approach to GDPR implementation and which reported back quarterly to the BFI's Audit Risk and Governance Committee. The GDPR Project Board met monthly and was comprised of senior members of management. Delivery was managed by a GDPR delivery team which reported into the GDPR Project Board chaired by the BFI's General Counsel, Richard Brousson and Senior Executive, Paul Richardson assisted by representatives from across the BFI. The BFI created an information asset register detailing all databases and records held by the BFI. Meetings were held with all departments to assess requirements. New policies and procedures were put in place. Advice was sought from the BFI's outside legal counsel and the BFI's internal auditors, who carried out a health check of the BFI's GDPR compliance over two days in February and March 2018. Their assessment was favourable outlining a small number of tasks which were completed in advance of the 25 May deadline. Richard Brousson was appointed Data Protection Officer from 1 April 2018. Staff training was rolled out throughout May and June 2018 with 12 separate presentations across BFI sites.

Speaking Up Policy & Procedure

Included within the updated Financial Procedures Manual (2018) is a updated Speaking Up (Whistleblowing) Policy & Procedure – the BFI is committed to the highest possible standards of openness, probity and accountability. The purpose of this policy is to encourage reporting of suspected wrongdoing and provide clear guidance on: (i) the steps staff should take if they have concerns; (ii) how staff raising concerns will be supported; and (iii) what will happen after such concerns are raised. This policy also seeks to reassure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

This policy has been consulted upon with our recognised trade unions and is in line with the BFI's legal obligations. It covers all BFI staff plus other workers such as consultants, contractors, and agency workers.

Disclosure of information to the auditors

So far as the Accounting Officer and each person who was a Governor at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Governors, the Chief Executive and the Group's auditor, each Governor/Accounting Officer has taken all the steps that he/she is obliged to take as a Governor/Accounting Officer in order to make himself/herself aware of any relevant information and to establish that the auditor is aware of that information.

Remuneration and Staff Report

The Remuneration Committee

The Board of the BFI is responsible for determining the remuneration of the Chief Executive and senior staff. In the year ending 31 March 2018, it discharged this responsibility through the cycle of Board meetings.

In addition the Board is supported by the Remuneration Committee that meets as required, which is authorised within its terms of reference, to obtain independent professional advice if it considers this necessary. The Remuneration Committee comprises a chair, who is also chair of the BFI Governors, and up to 2 other members of the Board or co-opted members, who are each appointed for a period of up to three years.

The members during the year were:

Josh Berger CBE (Chair)
Pat Butler

The Remuneration Committee generally meet annually, with the last meeting on 28 March 2017, and will next meet in July 2018.

Remuneration Framework

Governors are not entitled to draw any remuneration for their time spent working as a Trustee of the BFI, although they are entitled to reimbursement of expenses incurred in their duties.

In determining appropriate levels of remuneration for senior staff, the BFI follows the Government's policy to maximise value for money by paying enough to attract and retain suitably qualified senior staff, and salaries are based on the minimum required to recruit, retain and motivate senior staff of appropriate calibre.

All staff including the Chief Executive, are entitled to membership of the BFI staff pension scheme (either Local Government Pension Scheme (LGPS) operated by the London Pension Fund Authority (LPFA), which is a defined benefit scheme, or a defined contribution scheme operated by Legal and General depending on start date). Further details of the schemes can be found in note 8 to the BFI Group financial statements.

The staff pay bill for each year is subject to review by the Remuneration Committee and the DCMS, under HM Treasury guidelines and limits for public sector pay.

Appointments of Board of Governors

The Chair and Governors of the BFI are appointed by the Secretary of State for Digital, Culture, Media and Sport in accordance with Cabinet Office's Governance Code on Public Appointments. Governors are appointed for a term, of not more than four years, with one Governor being elected by the membership of the BFI. Both the Chairman and any other Governors may stand for two successive terms of office. There is no period of notice required for resignation from the Board.

No members of senior management were employed under closed contracts as at 31 March 2018 and where contractual terms are open ended, the period of notice required for termination of contract is no greater than six months.

AUDITED INFORMATION Governors' remuneration

No Governor drew any remuneration or expenses in the year. No payments were made in the year for services (2017: £nil). As part of their oversight duties as Trustees, copies of all books and DVD/Blu-Ray releases published by the BFI during the year are made available to all Governors.

Senior staff remuneration

“Total remuneration” reported below comprises salary, bonuses and accrued pension benefits and thus should not be equated to take home pay. Because of the combination of all these factors the annual movement in “total remuneration” is not a simple reflection of any cost of living award (COLA).

“Total salary” is in bandings, depending where a staff member is in the bandings, the organisational COLA may tip some roles into a higher band.

Senior staff are members of the same pension schemes and on the same terms as staff, and all staff who are members of the defined benefit Local Government Pension Scheme (LPFA) accrue pension benefits on the same basis.

“Pension benefits accrued during the year” as noted above indicates how an individual’s total accrued pension benefit has moved in a year by taking the increase in benefits relative to that year and assessing the total value assuming they are paid over a typical twenty years of retirement.

In the year to 31 March 2018, all senior staff except for Fiona Cookson, Will Evans, Harriet Finney, Ceri Morgan and Richard Shaw were members of the LPFA defined benefit scheme.

The increase in pension benefits for senior staff who are members of the LPFA arise from three sources:

- BFI LPFA pension contributions of 11.5% of salary
- Employee pension contributions of between 5.5% and 12.5%. Higher paid staff contribute at a higher rate although not receiving any additional benefits
- LPFA projected investment returns (dividends, capital appreciation etc.)

The pension benefits accrued during the year are calculated by:

- Calculating the annual pension due on retirement plus lump sum benefit (if any) at the 31 March 2018
- Taking the equivalent figure from 31 March 2017 and applying the Consumer Price Index (CPI) in order to show the “real” movement after inflation; and then
- Multiplying the change in value in pension by 20 (i.e. assuming a 20 year retirement period)

Year on year the main distorting factor is CPI – as the impact of changes in CPI is greater the longer the period of service and thus the benefit accrued.

Depending on the underlying LPFA assumptions and the age of the individual on a year by year comparison the pension benefits accrued during the year can be an increase or a reduction compared to that of the prior year.

Remuneration and Staff Report

Remuneration (including pension benefits) for the senior staff for the year:

	Total salary for the year ended 31 March 2018 (2017)	Bonuses attributable for the year ended 31 March 2018 (2017)	Benefits in Kind for the year ended 31 March 2018 (2017)	Pension benefits in the year ended 31 March 2018 (2017)	Total remuneration for the year ended 31 March 2018 (2017)
	£'000	£'000	£ (Nearest 100)	£'000	£'000
Amanda Nevill Chief Executive Officer and Accounting Officer	145-150 (140-145)	- (-)	100 (100)	46 (33)	190-195 (176-180)
Fiona Cookson ¹¹ Director of External Affairs	35-40 (FTE: 90-95) (20-25 (FTE: 90-95))	- (-)	100 (100)	N/A (N/A)	35-40 (20-25)
Will Evans Director of Business Affairs	145-150 (140-145)	- (-)	100 (100)	N/A (N/A)	145-150 (140-145)
Harriet Finney ¹² Director of External Affairs	50-55 (FTE: 95-100) (N/A)	- (N/A)	100 (N/A)	N/A (N/A)	50-55 (N/A)
Ed Humphrey Director of Digital	115-120 (110-115)	13 (14)	100 (100)	18 (15)	150-155 (140-145)
Ceri Morgan ¹³ Director of External Affairs	N/A (70-75 (FTE: 85-90))	N/A (-)	N/A (-)	N/A (N/A)	N/A (70-75)
David Parkhill Director of Finance and Resources	125-130 (125-130)	- (-)	100 (100)	35 (36)	160-165 (160-165)
Ben Roberts Director of Film Fund	140-145 (140-145)	- (-)	100 (100)	39 (40)	180-185 (180-185)
Richard Shaw Director of Communications, Marketing and Audiences	100-105 (100-105)	- (-)	100 (100)	N/A (N/A)	100-105 (100-105)
Heather Stewart Creative Director	120-125 (120-125)	- (-)	100 (100)	40 (-19)	160-165 (100-105)
Francesca Vinti Director of Development	95-100 (90-95)	10 (10)	100 (100)	4 (24)	110-115 (125-130)

¹¹ Resigned 5 August 2017.

¹² Appointed 15 September 2017.

¹³ Maternity cover to 3 January 2017.

Pension contributions during the year were made to defined contribution schemes for:

	Contributions paid	
	2017-18	2016-17
Fiona Cookson ¹⁴ Director of External Affairs	1,798	3,299
Will Evans Director of Business Affairs	22,048	21,512
Harriet Finney ¹⁵ Director of External Affairs	1,583	N/A
Ceri Morgan ¹⁶ Director of External Affairs	N/A	3,504
Richard Shaw Director of Communications, Marketing and Audiences	5,051	5,048

Included in the above is remuneration for senior staff in the year which is attributable to lottery for the year ending 31 March 2018. This is recharged as part of our lottery funded operations and thus contained within expenditure in the Lottery Financial Statements for the year ending 31 March 2018.

49% of the remuneration for Amanda Nevill and David Parkhill has been attributed to lottery for the year (2017: 50%) with the proportion of total income attributed to lottery being used as the baseline. Will Evans and Ben Roberts are attributed in full (2017: 100%) as they work solely on lottery related activities of the BFI.

¹⁴ Resigned 7 August 2017.

¹⁵ Appointed 15 September 2017.

¹⁶ Maternity cover to 3 January 2017.

Remuneration and Staff Report

Benefits in kind

All members of BFI staff are entitled to receive: up to £100 contribution towards gym membership per annum; up to 12 free tickets per month at the BFI Southbank cinemas; staff discounts on purchases at the BFI Southbank's Film Store and Benugo's cafe and restaurant and the BFI

London IMAX, ranging from 10-70%; and interest free loans for travel season tickets, bicycle and computer purchases and dental treatment. Staff whose contracts transferred from UKFC may opt to receive a contractual payment of £250 for cinema tickets per annum in place of the BFI Southbank ticket entitlement. Staff on BFI contracts receive a monthly copy of Sight and Sound.

Senior staff pension arrangements

The following senior staff were members of the LPFA scheme at 31 March 2018:

	Real increase in accrued pension benefits 2017-18	Attributable pension accrued at 65 at 31 March 2018 (or date left the BFI if earlier)	Cash Equivalent Transfer Value (CETV) as at 31 March 2017	CETV as at 31 March 2018 (or at date left the BFI if earlier)	Real increase in CETV after adjustment for inflation etc in 2017-18
	£'000	£'000	£'000	£'000	£'000
Amanda Nevill Chief Executive Officer and Accounting Officer	2.5-5 (lump sum: -2.5 to 0)	50.0-52.5 (lump sum: 75-77.5)	995	1,085	43
Ed Humphrey Director of Digital	0-2.5 (lump sum: 0-2.5)	5-7.5 (lump sum: 0-2.5)	39*	55	8
David Parkhill Director of Finance and Resources	0-2.5 (lump sum 0-2.5)	10-12.5 (lump sum: 0-2.5)	127*	181	36
Ben Roberts Director of Film Fund	2.5-5 (lump sum: 0-2.5)	10-12.5 (lump sum: 0-2.5)	84	117	14
Heather Stewart Creative Director	0-2.5 (lump sum -5 to -2.5)	52.5-55 (lump sum: 90-92.5)	1,080	1,111	(15)
Francesca Vinti Director of Development	0-2.5 (lump sum: -2.5 to 0)	20-22.5 (lump sum: 12.5-15)	271*	280	(10)

These staff cover both Lottery and Grant-in-Aid and other funded activities.

* Prior year CETV amended by Pension Scheme Actuary and restated.

The accrued pensions are the amounts eligible at retirement if the staff member left service at the relevant date. The transfer values do not represent a sum paid or payable to the individual, but rather a potential liability of the pension scheme. They have been calculated using assumptions certified by a qualified actuary.

Senior staff numbers and costs

The number of senior staff by number and band (core salary plus any bonus) is:

Chief Executive and other executive staff at 31 March 2018

Salary Banding	2018 (Number)	2017 (Number)
£140,000 – £149,999	3	3
£130,000 – £139,999	1	1
£120,000 – £129,999	2	2
£110,000 – £119,999	-	-
£100,000 – £109,999	2	2
£90,000 – £99,999	1	1

Other senior staff

Salary Banding	2018 (Number)	2017 (Number)
£80,000 – £89,999	12	12
£70,000 – £79,999	16	21
£60,000 – £69,999	21	15

Staff number and costs (including on-costs)

	2018		2017	
	Number	£'000	Number	£'000
Average no of permanent staff during the year	482	26,794	487	25,814
Average no of other staff engaged on objectives of the organisation	17	521	12	361

The increase in staff costs is primarily due to higher notional pension costs under FRS102.

Off Payroll Consultancy Engagements

During the year ended 31 March 2018 the BFI had 11 off payroll engagements totalling £532,000 (2017: 9, £397,000) for more than £245 per day (2017: £220 per day), that lasted longer than 6 months and amounted to £20,000 or more. These have been subject to a risk based assessment as to whether assurance is required that individuals are paying their correct tax and, where necessary, that assurance has been sought.

Remuneration and Staff Report

Termination payments

The termination payments payable to employees were:

Exit Package Cost	Number of compulsory redundancies		Number of voluntary redundancies		Total	
	2018	2017	2018	2017	2018	2017
<£10,000	2	1	1	1	3	2
£10,000-£25,000	-	1	1	4	1	5
£25,000-£50,000	-	-	-	11	-	11
£50,000-£100,000	-	-	2	3	2	3
No of exit packages	2	2	4	19	6	21
Cost £'000	12	27	138	656	150	683

Hutton Review of Fair Pay

The BFI is required to disclose the relationship between the remuneration of the highest-paid member of the Executive team in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the Director of Business Affairs in the financial year was £145,000-£150,000 (2017: £140,000-£145,000). This was 4.4 times (2017: 4.5) the median remuneration of the workforce, which was £33,657 (2017: £32,358). The median remuneration does not include agency staff.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The range of remuneration was £21,000-£150,000 (2017: £20,000-£145,000).

Unaudited Information:

Employment and training policies

The BFI is committed to a policy of equality opportunity in its employment practices and continues to develop a culturally diverse workforce. Its training and development programmes are designed to encourage and support all employees in improving performance. In particular, the organisation aims to ensure that no potential or actual employees received more or less favourable treatment on the grounds of race, colour, ethnic or national origin, marital status, age, gender, sexual orientation, disability or religious belief.

Sickness Absence Data

The BFI ensures that there are arrangements to promote effective consultation and communications with all staff. All departments have regular staff meetings at which matters relating to BFI activities are discussed and staff are regularly briefed on the matters discussed at Executive and Board meetings. Meetings of all staff are held regularly and recognition agreements are in place with Unite and BECTU fostering the best possible relationship with staff. The BFI seeks to ensure that the requirements of health and safety legislation are met in the workplace. The BFI has policies and procedures in place to monitor sickness absence, (both long and short term) and this information is regularly reviewed by the Senior Management Team. During 2017-18, sickness absence (excluding long term absence) averaged 2.2 days (2017: 2.8 days). 13 individuals had long term sickness absence (2017: 12). Long term sickness absence is deemed to be any absence over 4 weeks.

Corporate Information

British Film Institute

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

Registered Office:
21 Stephen Street, London W1T 1LN
www.bfi.org.uk

Auditor

Comptroller and Auditor General,
National Audit Office
157-197 Buckingham Palace
Road, London SW1W 9SP

Bankers

Lloyds Bank plc
113-117 Oxford Street, London W1D 2HW

Internal auditors

Moore Stephens
150 Aldersgate Street, London, EC1A 4AB

Solicitors

Farrer & Co
66 Lincoln's Inn Fields, London WC2A 3LH

Approval of Annual Report

This annual report includes information that the BFI is required to disclose in accordance with the Government Financial Reporting Manual (FRoM) and accounts direction in a Strategic Report for the Lottery activities. A separate report has therefore not been prepared.

The Annual Report, including the Remuneration Report, was approved by the Board of Governors for signature on 12 July 2018.



Josh Berger CBE
Chair



Amanda Nevill CBE
Chief Executive

12 July 2018

BFI Group and Charity Financial Statements

Statement of Governors and Accounting Officer's Responsibilities

The Governors as the trustees of the Charity are responsible for preparing the Trustees' Annual Report and the group and charity financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Governors delegate power and responsibility to the Chief Executive for the day to day operation of the organisation. As Accounting Officer, for government reporting purposes, the Chief Executive is also responsible for reporting to DCMS, one of our main funders.

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

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

The Governors and Chief Executive are responsible for keeping proper accounting records which are such as to disclose, with reasonable accuracy, the financial position of the Charity at any time, and to enable them as trustees to ensure that the accounts comply with applicable law. The Governors and Chief Executive are also responsible for safeguarding the Charity's assets and ensuring their proper application in accordance with the Charities Act 2011; National Lottery etc. Act 1993, the Royal Charter and Managing Public Money issued by HM Treasury, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

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

The Governors and Chief Executive confirm that they have met the responsibilities set out above and complied with the requirements for preparing the accounts. The charity and group financial statements set out on pages 64 to 90, have been compiled from and are in accordance with the financial records maintained by the Governors and Chief Executive.

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

Governance Statement

Scope of Responsibility

The Board of Governors is aware of the requirements of the HM Treasury Corporate Governance Code and work is continuing to ensure compliance.

As Accounting Officer and as Chair of the Board of Governors, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives set by the Department for Digital, Culture, Media and Sport (DCMS), whilst safe-guarding the public funds and the British Film Institute's (BFI) assets for which we are responsible in accordance with the responsibilities assigned to us in Managing Public Money and as Trustees of the Charity. The BFI complies with the HM Treasury Corporate Governance Code to the extent relevant to a Charity and Lottery distributing body.

We also have responsibility, as defined in the BFI's Funding Agreement with the DCMS and the Management Statement and Financial Memorandum, for leading and managing the work of the BFI to fulfil its policies, aims and objectives, and upholding its values. The Accounting Officer reports to the Board of Governors of the BFI and we formally meet regularly with DCMS.

The purpose of the system of internal control

The system of internal control is designed to manage to a reasonable level rather than to eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of BFI policies, aims and objectives, to evaluate the likelihood of those risks being realised and should they be realised, to manage them efficiently, effectively

and economically. The system of internal control includes adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud, and prioritises those risks associated with the custody of assets and potential loss of Exchequer and Lottery grants. The system of internal control has been in place for the year ended 31 March 2018 and up to the date of approval of the annual report and financial statements, and accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer and Chair of the Board of Governors we have overall responsibility for the BFI's risk management framework, and are supported in its implementation by the Senior Management Team and staff who are trained and equipped to assess and manage risk in a way appropriate to their authority and duties. Attendance at Board of Governors meetings in 2017-18 is detailed at page 43.

The Audit, Risk and Governance Committee, chaired during the year by Alison Cornwell, gives independent advice and guidance to us, in our roles as Accounting Officer and Chair, and to the Board of Governors as a whole, on the adequacy of audit arrangements (both internal and external), on the implications of assurances provided in respect of risk and control at the BFI and oversees the work of the internal auditors, as well as providing guidance as to best practice. Attendance at Audit, Risk and Governance Committee meetings in 2017-18 is detailed at page 43.

The Remuneration Committee provide oversight and approval of remuneration and performance for senior staff members including the Accounting Officer.

Further advice and guidance as to best practice is received from the internal and external auditors (who attend meetings of the Audit, Risk and Governance Committee), the DCMS, and other comparable organisations.

Governance Statement

Terms of reference for the Audit, Risk and Governance Committee and the Remuneration Committee are reviewed by the Board of Governors and are held by the Board Secretary.

The risk and control framework

A risk management policy has been established setting out the BFI's attitude to the assessment, limitation and mitigation of risk in the achievement of our objectives.

The BFI has incorporated risk management in planning and decision making and maintains an organisation-wide risk register. Policy and operational risks both in the organisation and from external factors are identified through our business planning cycle and the annual operational planning cycle, and are evaluated by the Executive Team. We also consider the risks associated with holding and safeguarding information for operational or financial reporting purposes.

In 2017-18 the risk register as noted by the Executive Team included 20 corporate risks. The most significant are:

Risk	Cause of Risk
The BFI is unable to deliver the London Film Festival going-forward to the scale and quality the BFI, audiences and the UK film sector desire	Future plans are predicated on ambitious income targets including industry contribution
BFI business compromised including disruption and/or loss of personal data and/or intellectual property	BFI's IT and data security is compromised through cyber-attack resulting in information disclosure and/or intellectual property loss/or business failure
The BFI does not secure level of funding and support to deliver its priorities	Continued lack of understanding of the economic value of film and the work of the BFI
The BFI is unable to deliver its priorities as set out in BFI2022	A reduction in sales of lottery tickets
The BFI is unable to manage its Lottery schemes effectively	Pressure on the level of Lottery overhead of the Lottery distributors due to potential reduction in sale of Lottery tickets and inflation.
The BFI not achieving the new commercial growth targets	BFI income-generating programmes and activities fail to attract audiences and customers; and difficult environment for sponsorship and fundraising
The BFI is unable to deliver its priorities as set out in BFI2022	Unexpected pressure on Government spending could result in a reduction in Grant-in-Aid.
The reputation of the BFI, in relation to diversity and inclusion, as the lead body for film is tarnished	Failure to deliver its diversity commitments as set out in BFI2022
The BFI is not perceived to be delivering UK-wide	BFI fails to deliver on its commitments as set out in BFI2022 with programmes and activities continuing to predominantly deliver to London and South-East audiences
The reputation of the BFI as the lead body for film, in relation to its international responsibilities, is tarnished	BFI does not fully deliver its agreed International Strategy due to lack of support from key partners

Risk management and internal control are embedded in the processes of the organisation and are considered and reviewed on a regular basis by management. For example, the Lottery Finance Committee (LFC), who ultimately sign off on lottery commitments, consisted of representatives of the relevant fund, finance and business affairs and was independently chaired by the Accounting Officer or the Head of Business Affairs. Any perceived risks arising in making an award were thus discussed at the time the funding decision was made and appropriate mitigating action taken, whilst allowing decision-making, oversight and control to be maintained of the decisions by the respective funds. The committee was updated on the progress of the funded projects to allow timely action to mitigate risks, protect funds and ensure that the ultimate purpose of the award is fulfilled.

For the regularly funded organisations, such as Creative England, Film London and Into Film, alongside regular oversight and monitoring, a series of regular formal governance meetings were held with the recipients throughout the year to discuss progress against key performance and risk indicators incorporated in their business plans and funding agreements.

The work of the BFI's internal audit service, provided by Moore Stephens, operated to standards set out in the Public Sector Internal Audit Standards, was developed from an analysis of BFI's UK exposure.

In 2017-18 internal audit reports covered:

- Technology & Digital Future Plan
- Rights Management
- Unlocking Film Heritage
- Creative Europe Desk
- Data Protection
- Core financial controls
- Lottery Distributions
- Fraud Awareness training
- Follow-Up recommendations

The analysis of risk and the internal audit plans are endorsed by the BFI's Executive Team, the Audit, Risk and Governance Committee and are approved by the Accounting Officer.

In line with Cabinet Office guidance in relation to information risk, the Finance Director is the Senior Information Risk Owner. Working with the Internal Auditors, all the systems and databases operated by the BFI are kept under review and periodic updates provided to the Audit, Risk and Governance Committee.

In addition, the BFI has in place a wide range of policies, for instance relating to corporate governance, conflicts of interest, financial management (including fraud), health and safety, training and development and information technology. These are periodically reviewed and updated.

The internal communications process ensures that all staff are informed about key decisions on a timely basis through appropriate means. There is also an external communications strategy that ensures stakeholders, Parliament, press, funded organisations and projects, the industry at large, and members of the general public receive appropriate and reliable information.

Governance Statement

Progress in achieving objectives set in the strategic plan is monitored by the Board and Senior Management. The Board receive appropriate regular financial reporting, enabling monitoring against financial targets.

Review of effectiveness

The Board is responsible for considering its performance and reviewing its effectiveness, including assessing the quality of the information it receives on an ongoing basis, and judge that it is of a satisfactory standard. Papers and reports are concise, relevant and timely. The Governors receive appropriate updates on the BFI's financial positions, forecasts, risks and performance against strategic goals at their scheduled meetings.

As Accounting Officer and Chair of the Board of Governors, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by the work of the internal auditors and the Senior Management within the BFI who have responsibility for the development and maintenance of the internal control framework, and comment made by the external auditors in their management letters and other reports. We have been advised on the implications of the results of our review of the effectiveness of the system of internal control by the Board and the Audit, Risk and Governance Committee, and a plan to address any weaknesses and ensure continuous improvement is in place.

In respect of risk management the responsibilities of the Executive Team are to:

- manage risk in their own areas of responsibility through the implementation of risk mitigation processes and by following the BFI's risk policy;
- translate the risk register into day-to-day operational planning within teams; and
- report to the Accounting Officer on the status of risks and controls.

The Board receives reports from the Chair of the Audit, Risk and Governance Committee, and from the Accounting Officer and managers, on the steps taken to manage risks, including progress reports on key activities and projects, as well as on new risks that may arise both internally within the organisation and due to external factors such as the political and economic environment of both the industry and the public sector.

The Internal Auditor provides audit reports on the areas of activity within the BFI. The reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the BFI's system of internal control during the year together with recommendations for improvement.

At the Audit, Risk and Governance Committee meeting on 25 June 2018, the Internal Auditors gave their annual opinion. They concluded that there was an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved.

We take assurance from assessment of the risk register, from the business and budget planning cycle, from the decision approval and operational procedures and from the reviews of, and assurance received from, delegate bodies that appropriate risk management procedures are in place.

Additionality

Lottery applications and assessment processes are designed to ensure that awards made will be in line with the achievement of policies, aims and objectives set by the DCMS and the mission and values of the BFI, as well as the requirements of the National Lottery etc. Act 1993 as amended. The BFI considers that Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding.

We can confirm that in our opinion:

- the BFI complies with its current Financial Directions, Funding Agreement, Management Statement and Financial Memorandum and the requirements of a Charity;
- the BFI complies with DCMS guidelines as issued to it, including obtaining relevant approvals and observing the requirements of spending controls;
- adequate audit arrangements, both internal and external, are in place to support us in reviewing the systems of internal control;
- adequate arrangements are in place to detect and respond to inefficiency, conflicts of interest and fraud and to minimise losses of Lottery and other funds;
- the BFI has drawn up and maintains risk assessment and control procedures and risk registers;
- the BFI has complied with Cabinet Office guidance on information risk and has suffered no protected personal data incidents during 2017-18 or during previous years, and has made no reports to the Information Commissioners Office; and
- adequate systems of internal control were operational during the year and no significant weaknesses have been uncovered.

The BFI will continue to strive to improve the systems of internal control in place in relation to its management, and processes to maximise our operational efficiency as a Lottery Distributor.



Josh Berger CBE
Chair



Amanda Nevill CBE
Chief Executive

12 July 2018

The Auditor's Report to the Governors of the British Film Institute

Opinion on financial statements

I have audited the financial statements of the British Film Institute for the year ended 31 March 2018. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the British Film Institute's affairs as at 31 March 2018 and of its net expenditure and for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the British Film Institute and group in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Governors and Accounting Officer

As explained more fully in the Statement of Governors' and Accounting Officer's Responsibilities, the Governors and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the British Film Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the British Film Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Governors and Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared;

- in the light of the knowledge and understanding of the group and the British Film Institute and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report which we provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse

17 July 2018

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

BRITISH FILM INSTITUTE GROUP AND LOTTERY

Annual Report And Financial Statements 2017-18
Group Financial Statements

For the year ended 31 March 2018

British Film Institute

Consolidated Statement of Financial Activities

Year Ended 31 March 2018

	Note					2018	2017
		Unrestricted £'000	Non-Lottery Restricted £'000	Total Non-Lottery £'000	Lottery Restricted £'000	Total £'000	Total £'000
Income							
<i>Income and endowments from charitable activities (earned income)</i>							
Audiences	3	19,580	-	19,580	-	19,580	19,353
Learning & Skills	3	449	-	449	-	449	394
Talent	3	-	-	-	41	41	-
Leadership	3	4	-	4	-	4	-
<i>Income from donations and legacies</i>							
Voluntary Income							
Lottery proceeds	3 & 14	-	-	-	44,341	44,341	44,217
Lottery recoupment income	3	-	-	-	1,361	1,361	822
Revenue Grant in Aid funding	2	15,195	5,000	20,195	-	20,195	20,542
Capital Grant in Aid funding	2	-	3,392	3,392	-	3,392	3,423
Other grants, legacies and donations	3	2,696	3,071	5,767	56	5,823	5,464
Donated services and facilities	4	-	1,719	1,719	-	1,719	1,501
Investment income	5	5	-	5	4	9	8
Total Income		37,929	13,182	51,111	45,803	96,914	95,724
Expenditure on							
<i>Charitable activities</i>							
Audiences	6	(40,046)	(9,355)	(49,401)	(9,482)	(58,883)	(54,107)
Learning & Skills	6	(2,439)	(1,123)	(3,562)	(8,177)	(11,739)	(11,459)
Talent	6	(2,100)	(2,315)	(4,415)	(22,450)	(26,865)	(29,335)
Leadership	6	(283)	(16)	(299)	(636)	(935)	(1,042)
<i>Total charitable activities</i>		<i>(44,868)</i>	<i>(12,809)</i>	<i>(57,677)</i>	<i>(40,745)</i>	<i>(98,422)</i>	<i>(95,943)</i>
<i>Costs of raising funds</i>							
Restructuring Costs	6	(1,781)	-	(1,781)	-	(1,781)	(1,617)
	6	(97)	-	(97)	-	(97)	(826)
		(1,878)	-	(1,878)	-	(1,878)	(2,443)
Total expenditure		(46,746)	(12,809)	(59,555)	(40,745)	(100,300)	(98,386)
Net (expenditure) / income		(8,817)	373	(8,444)	5,058	(3,386)	(2,662)
Gross transfers between funds	23	44,974	(40,081)	4,893	(4,893)	-	-
Net income / (expenditure) and net movement in funds before other recognised gains and losses		36,157	(39,708)	(3,551)	165	(3,386)	(2,662)
Other recognised gains / (losses)							
Actuarial gains / (losses) on defined benefit pension scheme	8	8,731	-	8,731	777	9,508	(12,305)
(Losses) / gains on film rights	13	-	-	-	(424)	(424)	548
Gains on the revaluation of fixed assets	10	3,212	4,232	7,444	-	7,444	32,417
Net movement in funds		48,100	(35,476)	12,624	518	13,142	17,998
Reconciliation of funds							
Total funds brought forward	23	(22,519)	40,607	18,088	40,391	58,479	40,481
Total funds carried forward		25,581	5,131	30,712	40,909	71,621	58,479

All gains and losses recognised in the year are included in this Statement of Financial Activities and all activities are classified as continuing. The accompanying notes 1 to 31 form an integral part of this Statement of Financial Activities.

British Film Institute

Consolidated and Charity Balance Sheet

as at 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Fixed assets:					
Intangible fixed assets	9	511	669	-	-
Tangible fixed assets	10	86,602	81,276	86,602	81,276
Investments	12	-	-	1,443	1,443
Total fixed assets		87,113	81,945	88,045	82,719
Current assets:					
Stocks & work in progress	15	461	523	461	523
Debtors	16	8,755	8,105	9,724	9,219
Film Rights	13	12,430	12,627	12,430	12,627
National Lottery Distribution Fund	14	53,499	57,553	53,499	57,553
Cash at bank and in hand	17	10,320	9,783	8,189	7,097
Total current assets		85,465	88,591	84,303	87,019
Liabilities:					
Creditors: amounts falling due within one year	19	(32,660)	(39,433)	(32,602)	(38,965)
Provisions	21	(2,649)	(1,789)	(2,649)	(1,789)
Net current assets		50,156	47,369	49,052	46,265
Total assets less current liabilities		137,269	129,314	137,097	128,984
Defined benefit pension scheme net liability	8	(65,648)	(70,835)	(65,648)	(70,835)
Total net assets		71,621	58,479	71,449	58,149
The Funds of the Charity:					
Restricted income funds					
Restricted income funds excluding Lottery and pensions liability		5,131	13,221	5,133	13,221
Restricted fixed asset revaluation reserve		-	27,386	-	27,386
	23	5,131	40,607	5,133	40,607
Lottery reserve		41,307	40,824	41,307	40,824
Lottery fair value reserve		2,453	2,877	2,453	2,877
Lottery share of pension reserve		(2,851)	(3,310)	(2,850)	(3,310)
	23	40,909	40,391	40,910	40,391
Total restricted funds		46,040	80,998	46,043	80,998
Unrestricted income funds					
Unrestricted income funds excluding pensions asset/liability		35,263	24,671	35,088	24,341
Unrestricted fixed asset revaluation reserve		53,115	20,335	53,115	20,335
		88,378	45,006	88,203	44,676
Pension reserve		(62,797)	(67,525)	(62,797)	(67,525)
Total unrestricted funds	23	25,581	(22,519)	25,406	(22,849)
Total charity funds	23	71,621	58,479	71,449	58,149

The accompanying notes 1 to 31 form an integral part of this Consolidated and Charity balance sheet.

The Governors and Chief Executive Officer of the BFI, registered charity number 287780, approved these financial statements and authorised their signature on 12 July 2018.



Josh Berger CBE
Chair



Amanda Nevill CBE
Chief Executive

British Film Institute

Consolidated Cash Flow Statement

Year ended 31 March 2018

	Notes	2018			2017		
		Unrestricted £'000	Restricted £'000	Total £'000	Unrestricted £'000	Restricted £'000	Total £'000
Net (expenditure) / income		(8,817)	5,431	(3,386)	(6,840)	4,178	(2,662)
Less interest receivable	5	(5)	(4)	(9)	(5)	(3)	(8)
Loss on disposal of tangible fixed assets		12	-	12	21	-	21
Depreciation	10	4,633	1,347	5,980	3,891	1,240	5,131
Amortisation of goodwill	9	158	-	158	158	-	158
(Increase) / decrease in film rights	13	-	(227)	(227)	-	(1,109)	(1,109)
(Increase) / decrease in stocks	15	62	-	62	(88)	-	(88)
(Increase) / decrease in debtors	16	3,543	(4,193)	(650)	1,222	(2,109)	(887)
(Decrease) / increase in creditors due within one year	19	(4,922)	(1,851)	(6,773)	280	(2,675)	(2,395)
Increase / (decrease) in provisions due within one year	21	-	860	860	-	1,053	1,053
Decrease in creditors due after one year		-	-	-	-	-	-
Non-cash pension movements	8	4,003	318	4,321	2,633	161	2,794
Cash flows from operating activities		(1,333)	1,681	348	1,272	736	(2,008)
<i>Cash flows from investing activities</i>							
Decrease / (increase) in National Lottery							
Distribution Fund	14	-	4,054	4,054	-	3,553	3,553
Interest receivable	5	5	4	9	5	3	8
Purchase of tangible fixed assets	10	(262)	(3,612)	(3,874)	-	(4,132)	(4,132)
Cash flows from investing activities		(257)	446	189	5	(576)	(571)
Change in cash and cash equivalents in the year		(1,590)	2,129	540	1,277	160	1,437
Cash and Cash equivalents at the beginning of the year		4,986	4,797	9,783	3,709	4,637	8,346
Cash and Cash equivalents at the end of the year	17 & 23	3,396	6,924	10,320	4,986	4,797	9,783

The accompanying notes 1 to 31 form an integral part of this consolidated cash flow statement.

Notes to the Financial Statements

Year Ended 31 March 2018

1. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of the BFI are prepared under the historical cost convention, as modified for revaluation of certain categories of fixed assets and in accordance with the Charities Act, "Accounting and Reporting by Charities: Statement of Recommended Practice (SORP)", FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and applicable accounting standards.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the Charity, including its Lottery distribution activities, and all its subsidiary undertakings (see note 12 for details of subsidiaries and associate or jointly controlled entities). The results of the subsidiaries are consolidated on a line by line basis within the SOFA. A separate Income and Expenditure account has not been presented for the Charity, as permitted by FRS 102. However, a summary Operating Statement is included at note 23: Statement of Funds. The balance sheet and related notes show the assets and liabilities of the Group as well as the Charity. Separate accounts are also prepared for the BFI's Lottery distribution activities as required under the National Lottery etc Act 1993 and these are attached to the consolidated accounts.

Going concern

The accounts have been prepared on a going concern basis and there are no material uncertainties about the charity's ability to continue. After making enquiries, the Board of Governors has a reasonable expectation that the BFI has adequate resources to continue for at least the next 12 months following signature of the accounts based on receiving ongoing funding and income generation based on past experience. In the year to 31 March 2018 the BFI received £20.2m (2017: £20.5m) of revenue grant-in-aid from the Department for Digital, Culture, Media and Sport's (DCMS) assessment of its commitment to recognising the cultural impact of film, the BFI National Archive and the nation's heritage. This funding continues through to 2019-20 but, in common with other government funded bodies, we face further reductions in funding during the period 2017-20 on a like-for-like basis.

Since the BFI became the government's lead body for film in 2011, the BFI has actively engaged with the government in developing and delivering the strategy for film in the UK which will impact on future funding. The BFI is a Lottery distributor, with a statutory right to receive a share of the National Lottery Distribution Funds (NLDF), and is considered by government to be a "Non Departmental Public Body", both of which give support to our future financial stability.

Much of the assets of the BFI are either restricted and/or long term fixed assets and pressure therefore remains on the underlying Charity. Excluding the restricted activities, the BFI recorded net expenditure (before gross transfers between funds and other recognised gains/losses) in the year of £8.8m (2017: net expenditure of £6.8m), albeit after non-cash transactions including depreciation of £6.0m (2017: £5.1m) and FRS102 net costs of £4.3m (2017: £2.8m). The FRS102 pension liability has decreased to £65.6m (2017: £70.8m) contributing to unrestricted reserves of £25.6m (2017: negative unrestricted reserves of £22.5m). This is being addressed in the longer term with additional contributions being made to the London Pension Fund Authority, based on the triennial actuarial valuations, and these contributions are factored into our forward plans.

As at 31 March 2016, the latest actuarial valuation date, the deficit to be funded was £9.6m (2013: £12.7m) and this is being addressed over 14 years, subject to future triennial valuations. This is considerably less than the deficit in the accounts of £65.6m (2017: £70.8m) under FRS102 and the governors are satisfied that this approach is appropriate.

At the year end total reserves were £71.6m (2017: £58.5m) which included unrestricted cash balances of £3.4m (2017: £5.0m) and free reserves of £1.3m (2017: £1.5m) (note 23: Statement of Funds).

Charitable activities

The BFI engages in a diverse range of activities in order to meet its objects, which are described in more detail in the Governors' Report and the BFI's strategy BFI 2022. In the financial statements, the BFI categorises its activities across its four strategic priorities to further its charitable aims for the public benefit:

Audiences - great filmmaking for audiences everywhere.

Learning & Skills - giving everyone the educational opportunity to build a lifelong relationship with film.

Talent - supporting creative and influential filmmakers whose work is admired throughout the world.

Leadership - to lead on public policy and advocacy for the UK film sector and promote a globally competitive UK film industry.

These priorities are amended from the previous years' accounts and the prior year's figures are re-presented using the new basis.

Income and endowments

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

Income from charitable activities: includes a wide range of chargeable activities including sales of cinema tickets, DVDs, film and footage and sponsorship income.

Lottery proceeds are the BFI's share of Lottery income as notified to the BFI by the National Lottery Distribution Fund (NLDF).

Lottery recoupment income is income from film rights in excess of the original value of the right and is taken to the SOFA as film recoupment income and, if appropriate, through the fair value reserve. Income is accounted for on a receivable basis. The exception to this is recoupment income because of the inherent difficulties in relating the income to the period to which it relates. Recoupment income is therefore accounted for upon notification of amounts received by the BFI.

Donated services and facilities: including gifts in kind, are included in income and expenditure at the value to the Charity where this can be quantified (see note 4).

Grants and deferred income: whilst grants, including Grant-in-Aid, are typically accounted for in full upon receipt, where related to performance and specific deliverables, grants are accounted for as the Charity earns the right to consideration by its performance. Where income is received in advance of its recognition, it is deferred and included in creditors: amounts falling due within one year. Where entitlement occurs before income being received, the income is accrued. Capital grants are accounted for as income as soon as they are receivable. Grant-in-Aid refers to direct grants from the Department for Digital, Culture, Media and Sport for the general use of the BFI and also ring-fenced funding for other appropriate bodies delivering activities in accordance with the BFI's charitable objects.

Notes to the Financial Statements

Year Ended 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category concerned. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources (see note 6). Costs of generating funds are fund-raising and publicity costs incurred in seeking voluntary contributions and do not include the cost of disseminating information in support of charitable activities.

Grant Awards

Grant expenditure is charged to the statement of financial activities in the year that the grants are awarded and, if relevant, in which funding for the grant is received from DCMS. In most circumstances this will be the same as the year in which the funded activities take place. However, in some cases grant expenditure is recognised in the accounts where the funded activity is due to take place in future years. Any amounts unpaid from grants at the year end are shown in the balance sheet as creditors. Grant commitments made in the year relating to future years' activity as disclosed in note 26: Contingent Liabilities are not charged to the statement of financial activities, as we cannot recognise Grant-in-Aid income to match against these commitments before we have received it. In this respect, we have not been able to comply with paragraph 7.19 of the SORP issued by the Charity Commission in 2014. The Governors do not believe this would provide a true and fair view of BFI's resources.

The basis of reporting Lottery award commitments is laid out in the revised Accounts Direction from DCMS and the National Lottery etc Act 1993, and continues to align with the reporting requirements of the Charities SORP. Where the BFI has made a firm offer of a grant and notified successful applicants, the award is accounted for within other creditors as a grant commitment. Where the BFI has agreed to make an award in respect of investing in a film rights project, these are not grants and are accounted for as set out below under financial instruments and film rights.

In line with our five year Business Plan, BFI 2022 some awards were made including funding for 2018-19. Under the previous plan, Film Forever 2012-17, multi-year Lottery awards were made covering the four years to March 2017, including those awards to Into Film in respect of our education strategy, to Creative Skillset in respect of industry skills and training and for the project Unlocking Film Heritage. In line with the National Lottery Act etc 1993 and the BFI Lottery Accounts Direction, which are consistent with the BFI's basis of preparation of accounts as outlined above, these multi-year awards were accounted for in full in the Statement of Financial Activities in the year in which the award was notified to the successful applicant.

Commitments payable within one year of the balance sheet date are recognised in the statement within creditors as current liabilities. Those payable more than one year from the balance sheet date are shown as creditors payable over more than one year, however, such commitments other than the above multi-year Lottery awards are unlikely in the usual course of business.

Awards made under the Lotteries Act Section 27 dispensation

Using the power granted by the Section 27 of the National Lotteries Act etc 1993, in 2012-13 the Secretary of State did not object to an award of £15,000,000 to the BFI in relation to Unlocking Film Heritage, the BFI's archive strategy as outlined in the Film Forever future plan, for both the national and regional moving image archives. The award was shown on the SOFA as a transfer between funds, reflecting the movement from Lottery restricted reserves to other restricted reserves and the final restricted reserves were utilised in 2017-18.

Under the same power the Secretary of State did not object to an award of £750,000 in 2017-18 and £1,000,000 in 2016-17 to the BFI in relation to the London Film Festival. The awards were both made and fully paid within their respective financial years.

Under the same power in 2017-18 the Secretary of State did not object to an award of £4,143,000 (2016-17: £Nil) to the BFI in relation to the Heritage 2022 project, as outlined in the BFI 2022 plan.

Charitable expenditure on collections

The BFI has built the National Archive since its establishment in 1933, consisting of film and other related materials dating back to the 19th century. The BFI develops, cares for and interprets a collection that illustrates the art, history and impact of film, to be held in perpetuity for the public, for their use and for use by the BFI in pursuit of its objectives. The collection is one of the largest and most diverse collections in the world. It includes feature films, documentary and factual films, television programmes, artists film, photographic stills, posters, books and other related materials, held primarily for use in the BFI's activities and charitable objectives, as described in more detail in the Annual Report and below. The Collection Policy was most recently updated in November 2011 and can be found at www.bfi.org.uk. It documents our procedures for acquisition and disposal, documentation, conservation and access and describes our role in a national network of organisations that collect or provide access to film.

For the most part this collection has been acquired by donation, often with restricted usage rights, and as a result there is little in the way of purchase cost. There is also a lack of comparable market values, compounded by the diverse nature of the objects and the volume of the items held. In the opinion of the Governors, reliable information on cost or value is not available for the BFI's collection.

In the Governors' opinion, conventional valuation approaches lack sufficient reliability and any valuation is likely to incur significant costs that are likely to be onerous. Even if valuations could be obtained this would not be commensurate with any benefits to the BFI's management, curatorial staff, the public, or other users of the financial statements. For this reason the collections, large proportions of which were gifted to the BFI at nil cost and are incomparable in nature, are not recognised in the BFI's balance sheet.

All expenditure on acquiring, preserving and improving the collection is included in charitable expenditure in the year incurred. In the main, this expenditure is of a curatorial or restoration nature and the Governors are of the opinion that any value attributable to heritage assets or fixed assets would not be material. The collections also comprise donated materials that are not subject to formal valuation.

Heritage assets

Much of the BFI's collection is used, or expected to be used in the future, in its charitable activities. To the extent that the collection comprises heritage assets, there is an absence of reliable cost information, a diverse range of assets held, a lack of comparable market values and a complex mixture of intellectual property rights associated with the assets. As a result the Governors are of the opinion that valuation information cannot be obtained at a cost commensurate with the benefits to users of the financial statements, so a valuation approach is not practicable. Therefore the BFI has adopted a non-recognition approach.

Notes to the Financial Statements

Year Ended 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets, depreciation and impairment

Expenditure on tangible fixed assets costing £5,000 or more and with a useful economic life of at least 3 years is capitalised and included at cost. Long leasehold land and buildings, together with some associated plant and fixtures, are included at a valuation based on either Existing Use Value or Depreciated Replacement Cost as appropriate.

The BFI's long leasehold properties BFI Southbank and BFI London IMAX were revalued as at 31 March 2017 by appropriately qualified valuers, Deloitte LLP, in accordance with FRS 102: Section 17 - Property Plant and Equipment. The values at 31 March 2018 have been estimated using appropriate indexation from an independent expert body, resulting in a net increase in value in the year of £7.0m (2017: increase of £32.2m).

The BFI's short leasehold properties in London and Berkhamsted have been subject to leasehold improvements. The values as at 31 March 2018 and 2017 have been estimated using appropriate indexation, resulting in a net increase in value in the year of £0.4m (2017: increase of £0.2m). The same indexation is applied to acquisitions, starting in the year following the acquisition.

Revaluation is not applied to those classes of asset which are made up of low value and/or short useful economic life assets or where the historical cost is considered a reasonable approximation of fair value.

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual values over their expected useful economic lives. It is calculated on a straight line basis at the following rates from the month after acquisition to the month prior to disposal:

Long leasehold property	1-10% per annum
Short leasehold property improvements	5-20% per annum
Computer and other IT equipment	20-25% per annum
Furniture, fixtures and fittings	10-20% per annum
Plant and machinery	10-25% per annum
Assets in the course of construction	Depreciation commences upon completion of construction

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

Intangible fixed assets

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the carrying value/fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is separately disclosed. Goodwill is recognised as an asset and reviewed for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing. Purchased goodwill arising on consolidation is amortised over the period of its expected useful economic life. This is considered to be a period of ten years from the date of acquisition.

Investments

Investments in subsidiaries, associate or jointly controlled entities are stated at cost less provision for impairment.

Financial instruments

The principal financial instruments are cash and holdings in the NLDF and film rights, under the definitions set out under FRS102.

Other financial instruments include debtors and creditors that arise directly from Lottery and non-Lottery operations. The main risks arising from the financial instruments are interest rate risk, foreign currency risk and other price risk.

Film rights

Film rights represent investment awards paid and payable to filmmakers which are repayable under certain conditions. All advances to filmmakers are repayable under certain conditions. Where a feature film made with the assistance of the BFI is successfully released, the BFI is entitled to participate in revenues generated by that success. This can lead to repayment of the investment in full, together with a share of the profits generated by the film.

Under FRS102 film rights fall within the definition of Financial Instruments. Within that, they meet the definition of 'available for sale' financial assets and are therefore shown in the Balance Sheet at fair value. The fair value is based upon cash flows and models of future income that may be generated by the film right asset. The calculations behind these models are based upon external factors such as sales agents' estimates, actual sales made, the recoupment order agreed in the financing contract between investors, the skills and expertise of management involved in these calculations and a review of the historic performance of the portfolio.

When an advance is made (satisfying the definition of an award liability) it is taken to the Balance Sheet initially at the full value of the award. An assessment is then made of the likely repayment of the award, if any, over the next seven financial years, with the valuation reduced by impairments to the extent that the repayment of the award is considered doubtful. The impairment is calculated either as standard percentage suggested by historic recoupment performance of that particular type of award, or based on the value suggested by future estimated receipts.

In subsequent years, the Film Rights valuations are reviewed to ensure that all revenues due are received and the valuation remains appropriate. The valuations are based on the best available information at the balance sheet date and the valuations will change over time. For instance, on production awards, the actual value of sales made to a territory may exceed or fall below the original sales estimate provided by the sales agent or the box office performance may exceed or fall below the initial projections following the release of a film.

Movements in impairments shown in the Statement of Financial Activity reflect the net effect of increases and decreases in impairments against film rights in the year. Any impairment may be reversed in part or in full if the valuation understates the fair value of the film rights. Advances for development and short film awards are fully impaired in the year of the award, unless there is a reasonable expectation of repayment in the next seven financial years.

Movements in Film Rights valuations shown in the Statement of Financial Activities reflect the net effect of increases and decreases in valuations against Film Rights in the year. Awards are fully impaired unless there is a reasonable expectation of repayment in the next seven financial years.

Notes to the Financial Statements

Year Ended 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

If the valuation of the film right is in excess of the amount of the award investment from estimated recoupment over the next seven financial years, this is taken to a fair value reserve and released to income as the recoupment is received. In the context of the life of a film and its distribution cycle, seven years is felt to be a reasonable period over which a meaningful forecast can be taken, and is consistent with practice across the film industry.

Should the full amount of an award for film rights not be utilised, any unused element of the funding will be decommitted. If such a decommitment exceeds the impaired value of the film, then any necessary impairment will be released back to the Statement of Financial Activity so the remaining impairment is not greater than the value of the revised investment value.

Film recoupment income

Income received from film rights is offset against the value of the film rights on the Balance Sheet. Income in excess of the original value of the right is taken to the Statement of Financial Activity as film recoupment income and, where appropriate, through the fair value reserve.

Rewarding Success Provision

The rewarding success initiative allows for a share of film recoupment income arising from lottery awards to be made available to UK Producers, Writers and Directors for their future film making activity. The funds held on behalf of film-makers ("the locked box") represents the monies held for this initiative at the balance sheet date and not yet drawn down.

National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Digital, Culture, Media and Sport. The share of these balances attributable to the BFI is as shown in the financial statements at an estimate of market value and, at the balance sheet date, has been certified by the Secretary of State for Digital, Culture, Media and Sport as being available for distribution by the BFI in respect of current and future commitments.

The share of proceeds and investment returns attributed to the BFI has been treated as income within these financial statements.

Pension costs

For defined benefit pension schemes the amounts charged in expenditure are the service costs, gains and losses on settlements and curtailments, administration costs and net interest on the defined liability. The service costs are included as part of staff costs. Actuarial gains and losses are recognised in the SOFA as other recognised gains / (losses).

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Charity, in separate trustee-administered funds which are part of the London Pension Fund Authority (LPFA). The LPFA is a local government pension scheme and the BFI is an Admitted Body member. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained every three years and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet and in note 8: Pensions.

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

Operating and finance lease transactions

Payments made under operating leases are charged to the SOFA on a straight line basis over the lease term. There were no finance leases.

Fund accounting

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

Restricted funds are funds to be used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in the notes to the accounts. Where the conditions have been met, for example to acquire fixed assets without ongoing restrictions, the related reserves are transferred to unrestricted reserves on the face of the Statement of Financial Activities.

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 and gains and losses charged/credited to the Statement of Financial Activities.

Taxation

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

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

Estimates and judgements

Estimates and judgements have been used in the production of these accounts, notably with regard to the valuation of Film Rights as at the year end, which are on the basis of a review of all available information with regard to the balance sheet date, including third party evidence and experienced judgement. Further information on this can be found in note 13: Film Rights.

Tax Status (Group and Charity)

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

Its subsidiaries' total taxable profits are either gifted to the Charity or tax losses have been utilised and therefore no tax is payable.

Prior Year Restatement

Where a change in accounting policy or a material error has been recognised or identified, the BFI will amend its accounting policies and correct both the current financial year's results and the previous financial years results to which the change in policy or error relates to. The correction to prior years will be identified with the words "Restated".

Notes to the Financial Statements

Year Ended 31 March 2018

2. OTHER SIGNIFICANT TRANSACTIONS

a) Grant-in-Aid - DCMS

DCMS has been the BFI's largest source of funding, excluding Lottery income. They have therefore been included in this category in order to provide supplementary disclosure. During the year, the BFI had the following material transactions with DCMS:

	2018 £'000	2017 £'000
Revenue Grant in Aid funding	20,195	20,542
Capital Grant in Aid funding	3,392	3,423

Revenue grant funding includes restricted funds for Northern Ireland of £4m (2017: £4m) and education (Film Academies) of £1m (2017: £1m).

Capital grant funding in the year was boosted by specific funding of £2.4m (2017: £2.4m) for Estate refurbishment.

The balances carried forward at the end of the year are £nil (2017: £nil) for unrestricted and restricted funds.

Grant-in-Aid is spent in accordance with the funding agreement between the BFI and DCMS. The common objectives are to:

- extend & improve access to film culture, serving the diverse geographical needs of the UK's nations and regions and recognising the differing needs of rural, suburban and metropolitan locations;

- improve education about the moving image; and

- 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 common goals.

b) Governors

The Governors neither received nor waived any emoluments during the year (2017: £nil). Governors expenses amounted to £nil in the year (2017: £nil). No governor claimed expenses during the year (2017: nil). No payments were made in the year for services (2017: £nil).

There were no material related party transactions involving Governors in their personal or business capacities other than Lottery and Grant-in-Aid awards disclosed in note 29: Related Parties.

The Charity has purchased insurance to indemnify the Governors against the consequences of any neglect or default on their part. The cost amounted to £11,880 (2017: £14,361), which includes cover for Governors and Officers of the Charity but also covered management liability, crime and employment practices liability for the organisation as a whole.

c) BFI Trust

BFI Trust is an independent registered charity with objectives consistent with those of the BFI. Amanda Nevill (Chief Executive) is a Director and Trustee of the BFI Trust.

During the year, the BFI had the following material transactions with BFI Trust:

		2018 £'000	2017 £'000
<i>Income from generated funds - Other grants, legacies and donations includes:</i>			
Grants receivable from BFI Trust	Restricted	808	952
	Unrestricted	1,350	398
<i>Resources expended - Charitable activities includes:</i>			
Rental of leasehold premises		(1,835)	(1,721)

Notes to the Financial Statements

Year Ended 31 March 2018

3. INCOME

	Unrestricted 2018 £'000	Non-Lottery Restricted 2018 £'000	Lottery Restricted 2018 £'000	Total 2018 £'000
<i>Income and endowments from charitable activities (earned income)</i>				
Audiences	19,580	-	-	19,580
Learning & Skills	449	-	-	449
Talent	-	-	41	41
Leadership	4	-	-	4
	20,033	-	41	20,074
<i>Income from Donations and legacies</i>				
Voluntary Income				
Lottery proceeds	-	-	44,341	44,341
Lottery recoupment income	-	-	1,361	1,361
Revenue Grant in Aid funding	15,195	5,000	-	20,195
Capital Grant in Aid funding	-	3,392	-	3,392
Other grants, legacies and donations	2,696	3,071	56	5,823
Donated services and facilities	-	1,719	-	1,719
	17,891	13,182	45,758	76,831
Investment income	5	-	4	9
Total Income	37,929	13,182	45,803	96,914

	Unrestricted 2017 £'000	Non-Lottery Restricted 2017 £'000	Lottery Restricted 2017 £'000	Total 2017 £'000
<i>Income and endowments from charitable activities (earned income)</i>				
Audiences	19,353	-	-	19,353
Learning & Skills	394	-	-	394
Talent	-	-	-	-
Leadership	-	-	-	-
	19,747	-	-	19,747
<i>Income from Donations and legacies</i>				
Voluntary Income				
Lottery proceeds	-	-	44,217	44,217
Lottery recoupment income	-	-	822	822
Revenue Grant in Aid funding	15,542	5,000	-	20,542
Capital Grant in Aid funding	-	3,423	-	3,423
Other grants, legacies and donations	1,773	3,526	165	5,464
Donated services and facilities	-	1,501	-	1,501
	17,315	13,450	45,204	75,969
Investment income	5	-	3	8
Total Income	37,067	13,450	45,207	95,724

As a result of the changes arising from the BFI 2022 strategy, the allocation to charitable activities of the prior year income has been re-presented.

	2018 £'000	2017 £'000
<i>Sponsorship income included in Income from charitable activities (earned income):</i>		
Sponsorship income, associated with the costs of generating voluntary income	Audiences 1,662	1,375
Cost of raising funds	(1,781)	(1,617)

Cost of raising funds is the staff and other costs of the in-house teams who source funding from individuals, trusts, foundations and corporations. In addition to Voluntary Income, income from charitable activities includes sponsorship income of £1,662,000 (2017: £1,375,000) raised by the teams. This income primarily relates to the corporate sponsorship of the BFI London Film Festival and BFI Flare film festival. In the year, expenditure was higher due to the staging of the "Luminous" fundraising gala.

Notes to the Financial Statements

Year Ended 31 March 2018

4. DONATED SERVICES AND FACILITIES

	2018 £'000	2017 £'000
Publicity and advertising	992	809
Buildings and facilities	268	344
Services and equipment hire	349	263
Food and drink	39	15
Other goods	71	70
	1,719	1,501

Donated services and facilities are valued using information provided by the suppliers regarding market value.

5. INVESTMENT INCOME

	Unrestricted £'000	Lottery Restricted £'000	2018 Total £'000	Unrestricted £'000	Lottery Restricted £'000	2017 Total £'000
Bank interest receivable	5	4	9	5	3	8

Bank interest receivable was £9,000 (2017: £8,000) of which £5,000 was earned on unrestricted bank deposits (2017: £5,000) and £4,000 was earned on restricted bank deposit balances (2017: £3,000).

6. EXPENDITURE

	Direct Costs £'000	Allocated Pension charges £'000	Allocated Support costs £'000	2018 Total £'000	2017 Total £'000
Audiences	(48,973)	(5,168)	(4,742)	(58,883)	(54,107)
Learning & Skills	(10,924)	(479)	(336)	(11,739)	(11,459)
Talent	(25,759)	(946)	(160)	(26,865)	(29,335)
Leadership	(379)	(427)	(129)	(935)	(1,042)
Costs of raising funds	(1,781)	-	-	(1,781)	(1,617)
Restructuring Costs	(97)	-	-	(97)	(826)
	(87,913)	(7,020)	(5,367)	(100,300)	(98,386)

Expenditure on charitable activities was £98,422,000 (2017: £95,942,000) of which £44,868,000 was unrestricted (2017: £41,464,000), £12,809,000 was restricted (2017: £14,493,000) and £40,745,000 was Lottery funded restricted expenditure (2017: £39,986,000).

As a result of the changes arising from the BFI 2022 strategy, the allocation to charitable activities of prior year expenditure has been re-presented.

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

Nature of cost	Allocation basis	2018 £'000	2017 £'000
IT and finance support	Combination of head count and departmental spend	(2,511)	(2,112)
Human resources	Head count	(507)	(446)
Premises and utilities	Combination of floor area and head count	(779)	(735)
Communication and marketing	Direct spend and percentage of income generated	(670)	(621)
Other overheads	Combination of time and department spend	(509)	(528)
Governance costs	Departmental spend	(391)	(348)
		(5,367)	(4,790)
Total support		(5,367)	(4,790)
Pension cost (note 8)	Net revenue account cost	(7,019)	(6,068)

Notes to the Financial Statements

Year Ended 31 March 2018

6. EXPENDITURE (CONTINUED)

	2018 £'000	2017 £'000
Governance costs:		
Audit fees: Charity (excluding Lottery)	(84)	(84)
Audit fees: Lottery	(46)	(46)
Audit: subsidiaries (British Screen group of companies)	(4)	(4)
Audit: subsidiary (British Film Institute (Big Screen) Limited)	(6)	(5)
Audit of UK Media Desk grant claim	(4)	(4)
Trustees costs	(17)	(5)
Corporate policy and planning	(230)	(200)
Total governance	(391)	(348)

Governance costs are allocated across the activities of the Charity and are included in the allocated support and governance costs column above. The basis of allocation is departmental spend on activities.

	2018 £'000	2017 £'000
Restructuring Costs:		
Restructuring costs	(97)	(826)

The restructuring costs of £0.1m relate to redundancy costs incurred in the year (2017: £0.8m) and these costs have been allocated across the activities of the Charity which are included in the allocated support and governance costs column above. The basis of allocation is a combination of directly attributable and head count basis.

	2018 £'000	2017 £'000
Net resources expended before transfers are stated after charging:		
Auditors' remuneration (analysed above)	(144)	(143)

Auditors' remuneration for the National Audit Office includes £nil fees for non audit services (2017: £nil). The National Audit Office provided audit services for the Charity and Lottery, with the subsidiary and other audits performed by Brebners LLP.

	2018 £'000	2017 £'000
Foreign exchange (losses) / gains	(1)	26
Depreciation	(5,980)	(5,131)
Amortisation of goodwill	(158)	(158)

	2018 £'000	2017 £'000
Charges for operating leases:		
Land and buildings	(1,838)	(1,724)
Plant & machinery	(77)	(50)

	2018 £'000	2017 £'000
Film rights impairments	(12,550)	(16,540)

The carrying value of the film rights reflects the extent to which full repayment of an advance, through actual receipts and the value of future estimated receipts, is considered doubtful. The valuation is reviewed on a rolling basis to ensure that fair value is maintained.

Grant-in-Aid awards

BFI has responsibility on behalf of DCMS for the administration of Grant-in-Aid awards made to third party and partner organisations in the film sector, and received additional funding for this.

	2018 £'000	2017 £'000
Awards in the year were:		
Creative England	(830)	(847)
Film London	(511)	(521)
Film Agency for Wales	(117)	(119)
Northern Ireland Screen: Irish Language Fund	(3,000)	(3,000)
Northern Ireland Screen: Ulster Scots Fund	(1,000)	(1,000)
Film Academy awards	(705)	(789)
Cultural Venues and Archives Fund	(46)	(91)
Creative Europe partners	(143)	(177)
	(6,352)	(6,544)

In addition to the above further Grant-in-Aid awards were made to partner organisations on or before 31 March 2018 for funded activity commencing on or after 1 April 2018. These are disclosed in note 26: Contingent Liabilities.

Notes to the Financial Statements

Year Ended 31 March 2018

6. EXPENDITURE (CONTINUED)

	2018 £'000	2017 £'000
Lottery awards		
Full details of all Lottery commitments made in the year are shown in the accompanying Lottery financial statements.		
Lottery - non-film rights awards included in the SOFA - Expenditure on Charitable activities	(22,627)	(17,853)
Heritage 2022 - award to the BFI - Gross transfers between funds, note 23: Statement of Funds	(4,143)	-
Film Festivals - award to BFI LFF - Gross transfers between funds, note 23: Statement of Funds	(750)	(1,000)
	(27,520)	(18,853)

7. STAFF COSTS

	2018 £'000	2017 £'000
Staff costs consists of:		
Wages & salaries	(20,384)	(20,245)
Social security costs	(1,986)	(1,988)
Pension costs (see note 8)	(4,945)	(3,942)
	(27,315)	(26,175)
Agency staff costs included in Wages & salaries above	(521)	(361)
Staff costs capitalised and not included above	(24)	(26)

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

	2018 Full Time	2018 Part Time	2018 Total
Costs of generating voluntary income	14	2	16
Audiences	320	43	363
Learning & Skills	24	3	27
Talent	44	6	50
Leadership	26	3	29
	428	57	485
	2017 Full Time	2017 Part Time	2017 Total
Costs of generating voluntary income	16	2	18
Audiences	323	41	364
Learning & Skills	25	3	28
Talent	42	5	47
Leadership	27	3	30
	433	54	487

	2018 Number	2017 Number
Average number of full time equivalent Agency staff at the BFI during the year	17	12

Higher paid employees

	2018 £'000	2017 £'000
Chief Executive		
A. Nevill	146	145
Other Executive Team Members		
	2018 Number	2017 Number
£140,000 - £149,999	2	2
£130,000 - £139,999	1	1
£120,000 - £129,999	2	2
£110,000 - £119,999	-	-
£100,000 - £109,999	2	2
£90,000 - £99,999	-	-
£80,000 - £89,999	-	-
£70,000 - £79,999	-	1
£60,000 - £69,999	-	-
Cost	£875,000	£935,000

Notes to the Financial Statements

Year Ended 31 March 2018

7. STAFF COSTS (CONTINUED)

Other senior staff		
£80,000 - £89,999	12	12
£70,000 - £79,999	16	21
£60,000 - £69,999	21	15
Cost	£3,624,000	£3,581,000
Total Cost	£4,499,000	£4,516,000

Included in the above are 47 (2017: 46) staff who are ordinary members of the LPFA pension scheme. The amount of employer's pension contributions attributable to these staff amounted to £376,000 (2017: £445,000). There were 8 (2017: 9) staff who were members of defined contribution schemes. The amount of employer's pension contributions attributable to these staff amounted to £32,000 (2017: £59,000).

A number of Executive staff and other employees have interests in award applications which have been fully disclosed in note 29: Related Parties.

8. PENSIONS

The BFI is an admitted body to the LPFA, which provides a defined benefit pension scheme for the salaried employees of the Charity. It is a funded scheme and the assets are administered by trustees and are independent of the BFI. The related costs are assessed in accordance with the advice of professionally qualified actuaries. From 1 January 2014 the BFI also operates a defined contribution pension scheme which is available for all employees not already in the defined benefit scheme.

The BFI has accounted in full for pension benefits in the year ended 31 March 2018 under the requirements of FRS102. Therefore, as at 31 March 2018, a pension liability of £65,648,000 (2017: £70,835,000) is included in the BFI balance sheet. BFI's agreed schedule of contributions is 11.5% of member employees' salary per year plus a monetary amount of £850,000 for 2017-18, £870,000 for 2018-19 and £891,000 for 2019-20.

In addition to the amounts payable for current members of the pension scheme, within this scheme the BFI has an unfunded liability to pay pensions to 37 (2017: 42) former employees and their spouses. The total actuarial valuation for this liability at 31 March 2018 is included in the pension provision.

For FRS 102 disclosure, the full valuation at 31 March 2016 has been updated by the actuaries, Barnett Waddingham, to assess the liabilities of the scheme as at 31 March 2018.

The most significant actuarial assumptions in this recent valuation are:

		2018	2017
		%	%
		Per annum	Per annum
Rate of increase in prices	RPI	3.3	3.6
Rate of increase in prices	CPI	2.3	2.7
Rate of increase in salaries		3.8	4.1
Rate of increase in pensions in payment		2.3	2.7
Discount rate		2.6	2.8

BFI share of net pension liability as at 31 March 2018:	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	101,586	95,809	77,628	77,069	71,081
Present value of scheme liabilities	(164,891)	(164,164)	(131,076)	(134,363)	(108,676)
Net underfunding in funded plans	(63,305)	(68,355)	(53,448)	(57,294)	(37,595)
Present value of unfunded liabilities	(2,343)	(2,480)	(2,288)	(2,593)	(2,428)
Net pension deficit	(65,648)	(70,835)	(55,736)	(59,887)	(40,023)

Assets - Split of Investments by Category	2018	Asset	2017	Asset
Assets whole fund	£'000	Distribution	£'000	Distribution
		%		%
Equities	51,353	51%	56,769	60%
Target return funds	33,532	33%	20,245	21%
Infrastructure	4,443	4%	5,045	5%
Properties	7,310	7%	4,885	5%
Cash	4,948	5%	8,865	9%
Total	101,586	100%	95,809	100%

Analysis of the amount chargeable to expenditure under FRS102	2018	2017
	£'000	£'000
Service cost	(4,652)	(3,716)
Contributions in respect of defined contribution schemes	(293)	(226)
Administration expenses	(125)	(116)
Net Interest on the defined liability	(1,949)	(2,010)
Total expenditure	(7,019)	(6,068)

Notes to the Financial Statements

Year Ended 31 March 2018

8. PENSIONS (CONTINUED)

Analysis of amount recognised in the SOFA	2018	2017				
	£'000	£'000				
Actual return less expected return on pension scheme assets	3,153	13,137				
Other actuarial gains/(losses) on assets	-	1,546				
Change in demographic assumptions	-	1,731				
Experience gains / (losses) arising on the scheme liabilities	-	4,059				
Changes in assumptions underlying the present value of the scheme liabilities	6,355	(32,778)				
Actuarial gain / (loss) recognised in SOFA	9,508	(12,305)				
Reconciliation of defined benefit obligation	2018	2017				
	£'000	£'000				
Defined benefit obligation in scheme at beginning of year	(166,644)	(133,364)				
Movement in year:						
Service cost	(4,652)	(3,490)				
Interest cost	(4,633)	(4,896)				
Contributions by members	(995)	(1,113)				
Unfunded benefits paid	158	158				
Impact of settlements and curtailments	-	(226)				
Benefits paid	3,177	3,275				
Change in demographic assumptions	-	1,731				
Experience gains / (losses) on defined benefit obligation	-	4,059				
Actuarial gain / (loss)	6,355	(32,778)				
Deficit in scheme at end of the year	(167,234)	(166,644)				
Reconciliation of fair value of employer assets	2018	2017				
	£'000	£'000				
Fair value of employer assets in scheme at beginning of year	95,809	77,628				
Movement in year:						
Interest on assets	2,684	2,886				
Other actuarial gains/(losses)	-	1,546				
Expected return on assets	3,153	13,137				
Contributions by members	995	1,113				
Administration expenses	(125)	(116)				
Contributions by the employer, including in respect of unfunded benefits	2,405	3,048				
Benefits paid, including unfunded benefits	(3,335)	(3,433)				
Fair value of employer assets in scheme at end of year	101,586	95,809				
History of experience gains and losses	2018	2017	2016	2015	2014	
	£'000	£'000	£'000	£'000	£'000	
Fair value of employer assets	101,586	95,809	77,628	77,069	71,081	
Present value of defined benefit obligation	(167,234)	(166,644)	(133,364)	(136,956)	(111,104)	
Deficit	(65,648)	(70,835)	(55,736)	(59,887)	(40,023)	
Experience gains / (losses) on assets	3,153	13,137	(3,167)	(1,595)	(912)	
Experience gains / (losses) on liabilities	-	4,059	141	35	3,518	
The sensitivity analysis on the major assumptions in the above is:			£'000	£'000	£'000	
Adjustment to discount rate			+0.1%	0.0%	-0.1%	
			Present value of total obligation	164,025	167,234	170,510
			Projected service cost	4,274	4,379	4,487
Adjustment to long term salary increase			+0.1%	0.0%	-0.1%	
			Present value of total obligation	167,540	167,234	166,931
			Projected service cost	4,379	4,379	4,379
Adjustment to pension increases and deferred valuation			+0.1%	0.0%	-0.1%	
			Present value of total obligation	170,210	167,234	164,316
			Projected service cost	4,487	4,379	4,274
Adjustment to mortality age rating assumption			+ 1 Year	None	- 1 Year	
			Present value of total obligation	173,357	167,234	161,335
			Projected service cost	4,519	4,379	4,244

Notes to the Financial Statements

Year Ended 31 March 2018

9. INTANGIBLE FIXED ASSETS (GROUP)

Goodwill	Group £'000
Goodwill on Acquisition	
At 1 April 2017 and 31 March 2018	1,574
Goodwill Amortisation	
At 1 April 2017	(905)
Amortisation in the year	(158)
At 31 March 2018	(1,063)
Net Book Value	
At 31 March 2018	511
At 1 April 2017	669

Goodwill arises on consolidation of British Screen Finance Limited (BSF) and its subsidiary companies, which were acquired on 29 June 2011, and is being amortised over ten years on a straight line basis. This is charged against Audiences.

10. TANGIBLE FIXED ASSETS (GROUP AND CHARITY)

	Long leasehold property £'000	Short leasehold property improvements £'000	Computer and other IT equipment £'000	Furniture fixtures and fittings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation							
At 1 April 2017	67,760	7,718	5,371	1,429	7,573	4,086	93,937
Additions	-	2,111	57	-	22	1,684	3,874
Disposals	-	(20)	(189)	(17)	-	-	(226)
Reclassification	-	2,348	329	-	-	(2,677)	-
Revaluation	7,011	858	-	-	-	-	7,869
At 31 March 2018	74,771	13,015	5,568	1,412	7,595	3,093	105,454
Depreciation							
At 1 April 2017	-	(3,427)	(4,200)	(1,003)	(4,031)	-	(12,661)
Charge for the year	(3,178)	(1,241)	(624)	(106)	(831)	-	(5,980)
Disposals	-	11	188	15	-	-	214
Revaluation	-	(425)	-	-	-	-	(425)
At 31 March 2018	(3,178)	(5,082)	(4,636)	(1,094)	(4,862)	-	(18,852)
Net Book Value							
At 31 March 2018	71,593	7,933	932	318	2,733	3,093	86,602
At 1 April 2017	67,760	4,290	1,171	427	3,541	4,087	81,276

The BFI's long leasehold properties BFI Southbank and BFI London IMAX, including associated plant and fixtures, were revalued as at 31 March 2017 by appropriately qualified valuers, Deloitte LLP, in accordance with FRS 102: Section 17 - Property Plant and Equipment. The values at 31 March 2018 have been estimated using appropriate indexation from an independent expert body, resulting in a net increase in value in the year of £7.0m (2017: increase of £32.2m). Short leasehold property improvements have been revalued using appropriate indices, resulting in a net increase in value in the year of £0.4m (2017: £0.2m). Other classes of assets have not been revalued, as they are made up of low value and/or short useful economic life assets or where the historical cost is considered a reasonable approximation of fair value.

Included within long leasehold property is property with a depreciated net book value of £44.2m (2017: £40.8m) relating to the BFI IMAX cinema building. Arts Council England had a legal charge on the property to the value of £15,000,000 in respect of original funding for the building costs. In the event that the BFI were to dispose of the building there may have been a requirement to repay some or all of the charge. This charge expired in February 2018 and the restricted proportion of the asset has now been transferred to unrestricted assets. The BFI Southbank was refurbished with the assistance of DCMS funding in 2006/7. This element had been treated as a restricted asset but after 10 years has now been transferred to unrestricted assets.

11. HERITAGE ASSETS (GROUP AND CHARITY)

The BFI has built the National Archive since its establishment in 1933, consisting of film and other related materials dating back to the 19th century. The BFI develops, cares for and interprets a collection that illustrates the art, history and impact of film, to be held in perpetuity for the public, for their use and for use by the BFI in pursuit of its objectives. The collection is one of the largest and most diverse collections in the world. It includes feature films, documentary and factual films, television programmes, artists film, photographic stills, posters, books and other related materials, held primarily for use in the BFI's activities and charitable objectives, as described in more detail in the Annual Report and below. In 2011 the BFI adopted its current Collection Policy, which can be found at www.bfi.org.uk. It documents our procedures for acquisition and disposal, documentation, conservation and access and describes our role in a national network of organisations that collect or provide access to film and TV.

In line with the accounting policy, Heritage Assets are not recognised on the balance sheet as there is an absence of reliable cost information and a valuation approach is not practicable. In order to give an indication of the physical size and diversity of the collections, the main elements are summarised below.

Fiction film

42,000 titles. The collection includes the original camera negatives of some of the most important feature films in British film history. The BFI also looks after an extensive international collection of films.

Notes to the Financial Statements

Year Ended 31 March 2018

11. HERITAGE ASSETS (GROUP AND CHARITY) (CONTINUED)

Non fiction film

140,000 titles including documentaries, newsreels, government films, sponsored films, advertisements and home movies. It is the world's most important collection of documentary films.

Television

Around 800,000 television titles including material recorded off-air, as it was seen by the viewer, as well as production and transmission material. The collection includes all BBC output since 1980 including unique live broadcasts and extensive samples of commercial terrestrial television, with emphasis on key British productions. As well as the recorded material, significant collections of transmitted programming donated by broadcasters include the Rediffusion Collection (the earliest ITV contractor) and material preserved on analogue videotape from the 1960s and 1970s donated by the BBC and ITV.

Library

The library holds some 46,000 books including major film, TV and video directories and yearbooks from around the world, all major film and TV festival catalogues, programmes and brochures and all UK based festival catalogues. It also includes major film catalogues from around the world, annual reports from relevant companies and bodies; official publications including copyright, arts policy, and government reports; biographies and autobiographies of UK film/TV personalities.

One of the greatest strengths of the library is its near comprehensive collections of UK trade and academic journals (5,000 titles; many hundreds of thousands of issues). An extensive collection of newspaper cuttings, publicity and press material are also held as are brochures, leaflets, prospectuses etc. describing the work of organisations that are relevant to film and television.

Special collections

31,000 unpublished scripts, from first drafts to release scripts, relating primarily to British film and TV titles.

28,000 press books, 19,000 film posters and 2,000 items of cinema ephemera such as programmes, tickets, autographed letters, promotional material and personal memorabilia.

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

Approximately 1.4 million still images from or related to film and TV, including publicity material, production shots, and portraits.

30,000 film and television advertisements.

Other items include: over 5,500 production and costume designs; 200 boxes of animation cels including artwork by leading animators; and extensive audio collections including oral history recordings and interviews with many key industry figures.

12. INVESTMENTS (CHARITY)

	British Screen Finance Group £'000	BFI Big Screen £'000	2018 Connoisseur Video £'000	2018 Total £'000
Trading Account				
Income	302	3,337	-	3,639
Expenditure	(61)	(579)	-	(640)
Net operating profit	241	2,758	-	2,999
Interest receivable and similar income	1	1	-	2
Surplus gift aided to the BFI	(242)	(2,759)	-	(3,001)
Net profit	-	-	-	-
Balance Sheet				
Debtors	85	1,139	93	1,317
Cash at bank and in hand	1,532	599	-	2,131
Current liabilities	(604)	(1,738)	-	(2,342)
Total (BFI interest)	1,013	-	93	1,106
	British Screen Finance Group £'000	BFI Big Screen £'000	2017 Connoisseur Video £'000	2017 Total £'000
Trading Account				
Income	414	3,833	-	4,247
Expenditure	(178)	(605)	-	(783)
Net operating profit	236	3,228	-	3,464
Interest receivable and similar income	1	1	-	2
Surplus gift aided to the BFI	(237)	(3,229)	-	(3,466)
Net profit	-	-	-	-
Balance Sheet				
Debtors	92	1,431	93	1,616
Cash at bank and in hand	1,368	1,318	-	2,686
Current liabilities	(447)	(2,749)	-	(3,196)
Total (BFI interest)	1,013	-	93	1,106

Notes to the Financial Statements

Year Ended 31 March 2018

12. INVESTMENTS (CHARITY) (CONTINUED)

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

	Company Registration Number:
British Screen Finance Limited (BSF)	1910848
BFI (Big Screen) Limited (operates the theatrical and commercial activities of the BFI IMAX)	3088677
Connoisseur Video Limited (DVD publishing overseas - dormant)	2463593
Project Rosebud Limited (e-commerce development - dormant with nil assets and investment value)	3946785

BSF, in addition, holds the following investments:

		Ordinary shares of £1 each	Holding
Subsidiary undertakings			
National Film Finance Consortium Limited (NFFC)	1056412	100	100%
European Co-Production Fund Limited (ECF)	2631250	2	100%
British Screen Rights Limited (BSR)	2908542	2	100%
The Greenlight Fund Limited (GLF)	3191007	2	100%
National Film Development Fund (NFDF)	01268342	-	Not applicable
Associated undertakings			
British Film-Makers Limited (BFM)	0368248	50	50%

NFFC is a dormant company. ECF was a company that made loans to films produced by European co-producers. BSR acquired and sold rights in feature films. GLF managed the investment of some National Lottery proceeds into feature films on behalf of the Arts Council of England and is now dormant. NFDF made loans to producers and writers in the 1990s and is a company limited by guarantee. It is included here because of its control via the directors. BFM collects and distributes film revenues on behalf of BSF and third parties. Its results are not material to the Group. All group companies are registered in England and Wales.

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

The investments held by the Charity are summarised as follows:

	£'000
Cost	
At 1 April 2017 and 31 March 2018	2,450
Impairment	
At 1 April 2017	(1,007)
Impairment for the year	-
At 1 April 2017 and 31 March 2018	(1,007)
Net Book Value	
At 1 April 2017 and 31 March 2018	1,443

13. FILM RIGHTS (GROUP AND CHARITY)

Film rights fall within the definition of 'available for sale' financial assets and are held at fair value. The valuation approach to establish the fair value of the film rights portfolio is set out in note 1: Accounting Policies.

The BFI's primary objective in investing in film rights is to support the future success of British film by backing new voices, new stories, new ideas and skills, enriching and diversifying British film production. Thus whilst the potential commercial success of a project is important in our assessment of an application it is not the only funding criteria.

The fair value of film rights at 31 March is as follows:

	2017-18 £'000	2016-17 £'000	2015-16 £'000	2014-15 £'000	2013-14 £'000
Production Awards	10,210	10,370	9,325	6,022	14,166
Vision Awards	1,368	1,500	1,095	965	616
Development Awards	333	374	316	223	260
Distribution Awards	489	329	180	211	301
Other Awards	30	54	54	140	15
Film Rights valuation	12,430	12,627	10,970	7,561	15,358

Production awards are made to producers to co-finance feature film productions and from which we are entitled to recoup our award and take a share of net profits from the film. The value of the productions will be dependent upon many factors which are inherently uncertain; the ability of sales agents to meet sales estimates, how the film will be critically and commercially received (including box office projections and exchange rates) all play a role. Further details are set out in the impairments note below.

Vision Awards are made to production companies to enable them to develop their business and the awards are repayable from any applicable feature film production made by the production company. As we do not expect all recipients to be required to repay the award in full we routinely impair 50% of the award in the year in which it is committed.

Development awards are made to producers to support a film development. In the event that the development project progresses into a feature film production, we would be entitled to be repaid our award and take a share of net profits. Accordingly development awards are impaired in full in the year in which the award is made, unless there is a reasonable anticipation of it progressing to production.

Notes to the Financial Statements

Year Ended 31 March 2018

13. FILM RIGHTS (GROUP AND CHARITY) (CONTINUED)

Distribution awards are made to distributors to support the release of a film in the UK and repayable dependent upon the performance of the film release.

Other awards include targeted development awards which are awarded to support new talent. These awards are written off in full in the year unless there is a reasonable expectation of recoupment.

Movements in the valuation of film rights

	2017-18 £'000	2016-17 £'000	2015-16 £'000	2014-15 £'000	2013-14 £'000
Film rights valuation at 1 April	12,627	10,970	7,561	15,358	16,375
New commitments: made in year	18,783	23,150	23,570	16,892	27,208
Decommitments: new film rights in year	(23)	-	(135)	(149)	(34)
Decommitments: historical portfolio	(451)	(315)	(463)	(1,088)	(17)
Repayment of investments: new film rights in year	(508)	(539)	(449)	(389)	(791)
Repayment of investments: historical portfolio	(5,024)	(4,647)	(3,608)	(4,307)	(2,934)
Impairments: new film rights in year	(15,530)	(19,114)	(17,494)	(13,519)	(19,293)
Impairments: historical portfolio	(1,837)	(1,512)	(2,355)	(5,676)	(5,069)
Impairments written back	4,817	4,086	3,338	2,670	1,781
Fair value movement in year: decrease for income already received	(478)	(459)	(576)	(911)	(2,205)
Fair value movement in year: increase / (decrease) in additional income expectation	54	1,007	1,581	(1,320)	337
Film rights valuation at 31 March	12,430	12,627	10,970	7,561	15,358

The value of new commitments made in the year will vary due to timing differences arising from the closure of awards.

The valuation of the Film Rights is based on the anticipated cash receipts over the next seven financial years after the balance sheet date. In relation to recent production awards (that is production awards that were recognised as awards payable this financial year and the last seven financial years), the valuation is based on the cash receipts anticipated from the first cycle of revenues including revenues from cinema, DVD, Video On Demand and television. In relation to older production awards, the valuation is based on the anticipated cash receipts for the next seven years following the balance sheet date calculated from the individual film's historic cash receipts. All such anticipated cash receipts are discounted using the applicable Treasury Rate of 3.7% (2017: 3.7%).

Movements in impairments in the year are as follows:

	2017-18 £'000	2016-17 £'000	2015-16 £'000	2014-15 £'000	2013-14 £'000
Impairments: new film rights in year	(15,530)	(19,114)	(17,494)	(13,519)	(19,293)
Impairments: historical portfolio	(1,837)	(1,512)	(2,354)	(5,676)	(5,069)
	(17,367)	(20,626)	(19,848)	(19,195)	(24,362)
Impairments written back: historical portfolio	4,817	4,086	3,338	2,670	1,781
Net movement in impairments	(12,550)	(16,540)	(16,510)	(16,525)	(22,581)

The value of impairments on new film rights in the year is always governed by the value of awards made and therefore can vary considerably year to year.

As at 31 March 2018, the Film Rights valuation for production awards is £10.2m (2017: £10.4m) and for all other Film Rights is £2.2m (2017: £2.2m) totalling £12.4m (2017: £12.6m). For production awards, where the recoupment levels and valuation to vary by +/- 5%, the impact of the valuation of Film Rights at 31 March 2018 would be £0.5m for 204 awards (2017: £0.5m for 183 awards).

In relation to older production awards, the Film Rights valuation is calculated on the assumption that the future anticipated receipts will be based on the historic cash receipts for the two years prior to the balance sheet date, subject to a 85% default reduction every three years, except for films in profit which are calculated on the assumption that the future anticipated receipts will be based on the historic cash receipts for the three years prior to the balance sheet date, subject to a 75% default reduction every three years. The total amount of the Film Rights valuation based on this methodology is £3.2m (2017: £3.4m). Were this default reduction percentage to change to +/- 10% the Film Rights valuation would change by :

	£'000 +10%	£'000 0%	£'000 -10%
2017-18	(500)	3,200	400
2016-17	(600)	3,400	400

In relation to recent production awards (that is production awards that were recognised as awards payable this financial year and the previous three financial years), the Film Rights valuation is based on future anticipated receipts. These cash receipts are principally earned in US dollars and converted to pounds sterling before payment is made to the BFI's bank accounts. The default pound sterling to US dollar exchange rate is calculated using the average daily exchange rate for the two years to the balance sheet date, rounded to the nearest 5 US cents. The default rate as at 31 March 2018 for production awards is US \$1.30 (2017: US \$1.40).

Had the pound sterling to US dollar exchange rate remained at \$1.40 for the purposes of the Film Rights valuation, then the valuation of the total of these production awards would be reduced by £0.4m. Were the valuation calculated using US \$1.20, then these valuations would be increased by £0.5m (and the awards at March 17 would increase by £1.0m).

Notes to the Financial Statements

Year Ended 31 March 2018

13. FILM RIGHTS (GROUP AND CHARITY) (CONTINUED)

Fair value adjustments in the year can be summarised as follows:

	2017-18 £'000	2016-17 £'000
Fair value reserve at 1 April	2,877	2,329
Decrease for income received	(478)	(459)
Increase for expected future income	54	1,007
	(424)	548
<hr/>		
Fair value reserve at 31 March	2,453	2,877

14. NATIONAL LOTTERY DISTRIBUTION FUND (GROUP AND CHARITY)

The movement in balances held at the NLDF is:

	2018 £'000	2017 £'000
Balance at 1 April	57,553	61,106
Income received from the Lottery receipts	44,213	44,073
Investment income earned on NLDF balances	128	144
<hr/>		
Available for distribution	101,894	105,323
Cash drawn down	(48,395)	(47,770)
<hr/>		
Balance at 31 March	53,499	57,553

The funds are invested on behalf of the NLDF by the National Debt Commissioners. The BFI's distribution is in accordance with Sections 22 and 23 of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998). The BFI is required by statute to show on the balance sheet the lower of the market value or the cost of the investment as at the year end. There were no unrealised gains in the year (2017: £nil).

15. STOCKS AND WORK IN PROGRESS (GROUP AND CHARITY)

	2018 £'000	2017 £'000
Work in progress	21	50
Finished goods	440	473
<hr/>		
	461	523

16. DEBTORS

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Trade debtors	2,607	2,411	2,260	2,097
Amount owed by subsidiary undertakings	-	-	2,194	2,628
Other debtors	1,532	1,989	1,468	1,929
Prepayments and accrued income	4,616	3,705	3,802	2,565
<hr/>				
	8,755	8,105	9,724	9,219

17. CASH AT BANK AND IN HAND

		Unrestricted £'000	Restricted £'000	2018 Total £'000	2017 Total £'000
Analysis of cash and cash equivalents					
Cash at bank and in hand	Group	3,396	6,924	10,320	9,783
Cash at bank and in hand	Charity	1,265	6,924	8,189	7,097

All cash at bank is held with UK commercial banks.

£2.5m (2017: £1.8m) of cash held in BFI lottery bank accounts is funds recouped by BFI and held on behalf of producers under the "Rewarding Success" recoupment corridor - see note 21: Provisions.

Notes to the Financial Statements

Year Ended 31 March 2018

18. FINANCIAL RISKS (GROUP AND CHARITY)

Financial Reporting Standards require disclosure of the role which financial instruments have had during the period, in creating or changing the risks the BFI faces in undertaking its role.

Liquidity risks

Income was derived from:	2018 £'000	%	2017 £'000	%
DCMS Grant-in-aid	20,195	20.8%	20,542	21.5%
DCMS Capital provision	3,392	3.5%	3,423	3.6%
Other legacies, grants and donations and investment income	5,832	6.0%	5,472	5.7%
Resources generated from charitable activities	20,033	20.7%	19,747	20.6%
Donated services and facilities	1,719	1.8%	1,501	1.6%
Lottery proceeds and receipts	45,702	47.2%	45,039	47.0%
	96,873	100.0%	95,724	100.0%

The Governors consider that, as the NLDF balance notified by the Secretary of State for Digital, Culture, Media and Sport and the BFI's own Lottery cash holding amount to £59.1m at the balance sheet date (2017: £61.2m), sufficient liquid resources are available to cover all existing commitments totalling £31.3m (2017: £35.6m) and any other payables. The non-Lottery cash holdings are considered sufficient to cover the non-Lottery other payables.

Interest rate risks

The BFI's largest financial asset is retained in the NLDF, which invests in a narrow band of low risk assets such as Government bonds and cash. Neither the BFI nor its Governors has any control over these investments. The interest rate risks in respect of these financial assets are disclosed in the financial statements of the NLDF. The market value of the BFI's investment in the NLDF at the year end was £53.5m (2017: £57.6m) and the average investment return for the year was 0.35% (2017: 0.34%).

Cash drawn from the NLDF, DCMS or received from other sources, to pay grant commitments and operating costs are held in variable rate bank accounts and the average interest rate return for the year was 0.1% (2017: 0.1%). The group cash balance at the year end was £10.3m (2017: £9.8m).

Other price risks

Under FRS102 film rights fall within the definition of financial instruments and within that meet the definition of 'Available for sale financial assets' and are therefore shown in the balance sheet at fair value.

Establishing the fair value of film rights is subjective and therefore contains an element of risk. The fair value is based on a review of external evidence such as the sales agents estimates as to the likely revenues generated by a project, and depending on where it is in the life cycle of the project, upon actual performance of the film to date. This is matched with the knowledge and experience of the staff and management involved in the process of assessing the projects both at application stage and as they come to fruition. Any reduction in fair value is immediately taken to the SOFA in the year.

The valuation of film rights is subject to ongoing review to ensure a fair value is maintained, with any impairments being charged as expenditure. Any increase in the fair value beyond the original investment value is taken to reserves and only released as income on the actual receipt of funds. Film rights at 31 March 2018 have a valuation of £12.4m (2017: £12.6m). The Governors consider that the BFI is not exposed to significant other price risks.

Foreign currency risks

The BFI's financial assets are not exposed to material foreign exchange risks as long-term balances are held in sterling, however foreign currency exchange risks are significant in the valuation of the Film Rights as explained in the Lottery financial statements note 12: Financial Instruments and note 5: Film Rights and Impairments.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Trade creditors	(1,482)	(2,357)	(1,638)	(2,319)
Amount owed to subsidiary undertakings	-	-	(93)	(93)
Other taxes and social security costs	(721)	(556)	(547)	(556)
Other creditors	(1,949)	(1,562)	(1,942)	(1,553)
Lottery awards payable (see note 22)	(24,396)	(29,285)	(24,396)	(29,285)
Accruals	(3,278)	(4,268)	(3,203)	(4,211)
Deferred income (see note 20)	(834)	(1,405)	(783)	(948)
	(32,660)	(39,433)	(32,602)	(38,965)

20. DEFERRED INCOME

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
At 1 April	(1,405)	(1,276)	(948)	(722)
Amount released to income	1,405	1,276	948	722
Amount deferred in year	(834)	(1,405)	(783)	(948)
At 31 March	(834)	(1,405)	(783)	(948)

Notes to the Financial Statements

Year Ended 31 March 2018

21. PROVISIONS (GROUP AND CHARITY)

	2018 £'000	2017 £'000
At 1 April	(1,789)	(736)
New provisions in the year	(2,126)	(1,355)
Provisions utilised in the year	1,266	302
At 31 March	(2,649)	(1,789)

Rewarding Success provision

The rewarding success initiative allows for a share of film recoupment income arising from lottery awards to be made available to UK Producers, Writers and Directors for their future film making activity. The funds held on behalf of film-makers ("the locked box") represents the monies held for this initiative at the balance sheet date and not yet drawn down.

22. LOTTERY AWARDS PAYABLE (GROUP AND CHARITY)

	2018 £'000	2017 £'000
At 1 April	(29,285)	(33,434)
New films right commitments in year	(18,783)	(23,150)
New non-film rights commitments in year	(21,364)	(17,745)
Decommitments	384	327
Amounts paid	44,652	44,717
At 31 March	(24,396)	(29,285)

Decommitments arise when any element of the award is not utilised once contracts are signed and drawdown has commenced.

Reconciliation to Lottery accounts		2018 £'000	2017 £'000
Creditors: amounts falling due within one year	Lottery awards payable	(24,396)	(29,285)
Provisions	Lottery awards payable	(2,649)	(1,789)
Other payables - Awards Commitments:	Unlocking Film Heritage - eliminated on consolidation	-	(1,240)
Other payables - Awards Commitments:	Heritage 2022 - eliminated on consolidation	(4,143)	-
		(31,188)	(32,314)
Lottery accounts			
Other payables - Awards Commitments		(20,606)	(19,112)
Provision for award commitments		(10,582)	(13,202)
		(31,188)	(32,314)

Notes to the Financial Statements

Year Ended 31 March 2018

23. STATEMENT OF FUNDS (GROUP)

	At 1 April 2017 £'000	Income £'000	Expenditure £'000	Other recognised gains/(losses) £'000	Transfers £'000	At 31 March 2018 £'000
Unrestricted funds:						
Income funds excluding pensions asset/liability	24,671	37,929	(41,307)	-	14,185	35,478
Pension reserve	(67,525)	-	(4,003)	8,731	-	(62,797)
Fixed asset revaluation reserve	20,335	-	(1,436)	3,212	30,789	52,900
Total unrestricted funds	(22,519)	37,929	(46,746)	11,943	44,974	25,581
Restricted funds:						
Fixed Assets	11,080	-	(518)	-	(10,562)	-
Fixed asset revaluation reserve	27,386	-	(829)	4,232	(30,789)	-
	38,466	-	(1,347)	4,232	(41,351)	-
Donated Services and Facilities	-	1,719	(1,719)	-	-	-
DCMS - Revenue GiA	-	5,000	(5,000)	-	-	-
DCMS - Capital GiA	-	3,392	-	-	(3,392)	-
BFI Lottery - Unlocking Film Heritage	992	-	(782)	-	(210)	-
BFI Lottery - Heritage 2022	-	-	(340)	-	4,122	3,782
BFI Lottery - BFI London Film Festival	-	-	(750)	-	750	-
Arts Council England	-	71	(66)	-	-	5
BFI Trust	-	808	(808)	-	-	-
Chaplin Foundation	41	-	-	-	-	41
Clifford Hamer Shaw - Legacy	1,110	389	(389)	-	-	1,110
Education, Audiovisual and Culture Executive Agency	-	281	(229)	-	-	52
Esmee Fairbairn Foundation	-	84	(71)	-	-	13
European Commission	-	275	(275)	-	-	-
Film London	-	61	(61)	-	-	-
Friends of the BFI	-	152	(152)	-	-	-
Lisa Pontecorvo	-	254	(254)	-	-	-
LUMA Foundation	-	79	(14)	-	-	65
The Mohamed S Farsi Fund	-	50	(4)	-	-	46
Pureland Foundation	-	75	(75)	-	-	-
Simon Hessel	-	50	(50)	-	-	-
Other up to £50,000	-	442	(422)	-	-	20
Total restricted funds excluding lottery	40,607	13,182	(12,809)	4,232	(40,081)	5,131
Lottery funds:						
Lottery reserve	40,824	45,747	(40,371)	-	(4,893)	41,307
Donations and other income - Creative Scotland	-	56	(56)	-	-	-
Lottery fair value reserve	2,877	-	-	(424)	-	2,453
Lottery share of pension reserve	(3,310)	-	(318)	777	-	(2,851)
Total Lottery funds	40,391	45,803	(40,745)	353	(4,893)	40,909
Total funds	58,479	96,914	(100,300)	16,528	-	71,621

Transfers represent fixed assets funded by restricted grants, which have been transferred to unrestricted assets on completion and also where restrictions have now expired, notably the BFI IMAX cinema building and BFI Southbank - see note 10: Tangible Fixed Assets. They also include the s27 awards from Lottery to Restricted funds in respect of Heritage 2022 and the BFI London Film Festival.

Restricted funds:

Fixed assets

Description:

Assets subject to ongoing restrictions and their associated depreciation. This was primarily the BFI London IMAX and also BFI Southbank, which were transferred to unrestricted assets in the year, as described in note 10: Tangible Fixed Assets.

Donated Services and Facilities

Various services and facilities provided in support of the BFI London Film Festival and BFI Flare film festival, see note 4: Donated Services and Facilities.

DCMS - Revenue GiA
DCMS - Capital GiA

Funds ring fenced for Northern Ireland Screen and Education projects
Funds for capital expenditure

BFI Lottery - Unlocking Film Heritage

Development, planning and awards for the Unlocking Film Heritage programme of projects. Total funding of £15m was awarded by the Lottery under Section 27 dispensation towards improving public access to the UK's film archives from 2012-13 to 2017-18.

BFI Lottery - Heritage 2022

Supporting UK film heritage.

BFI Lottery - BFI London Film Festival

Awarded by the Lottery under Section 27 dispensation towards improving public access to the 2017 BFI London Film Festival.

Arts Council of England

London Film Festival (Shiraz and Experiments) and ACE Film Collection

Notes to the Financial Statements

Year Ended 31 March 2018

23. STATEMENT OF FUNDS (GROUP) (CONTINUED)

BFI Trust	Heritage 2022 and Film Centre
Chaplin Foundation	Archive restoration and other work
Clifford Hamer Shaw - Legacy	For the use of the BFI National Film and Television Archive in the preservation and restoration of film including film held in digital form
Education, Audio-visual and Culture Executive Agency	Media Desk funding
Esmee Fairbairn Foundation	Britain on Film
European Commission	Creative Europe Desk
Film London	London Film Festival
Friends of the BFI	Various film restoration projects including funding towards restoration including Jabberwocky, Landmarks of Early British Cinema and Film Music Foundation and LFF Education. In addition they provided unrestricted funds for our general charitable purposes.
Lisa Pontecorvo	National Archive, for the preservation of Documentary and Television films
LUMA Foundation	Touring of Anthony Balch films
The Mohamed S Farsi Fund	Women With a Movie Camera
Pureland Foundation	Main Supporter of the BFI Flare film festival.
Simon Hessel	Archive film restoration projects
Other up to £50,000	Various grant awards towards education, restoration and programming and other sundry income.
Lottery funds: Creative Scotland	Film Academies support

Fund balances at 31 March 2018 are represented by:

	Unrestricted £'000	Restricted £'000	Total £'000
Intangible fixed assets	511	-	511
Tangible fixed assets	86,602	-	86,602
Film rights	-	12,430	12,430
National Lottery Distribution Fund	-	53,499	53,499
Stocks and work in progress	461	-	461
Debtors	1,069	7,686	8,755
Cash at bank and in hand	3,396	6,924	10,320
Current assets	4,926	80,539	85,465
Current liabilities	(3,672)	(31,637)	(35,309)
Income funds excluding pensions asset/liability	88,367	48,902	137,269
Long term pension liabilities	(62,797)	(2,851)	(65,648)
Total net assets	25,570	46,051	71,621

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

Net free reserves

	2018 Unrestricted £'000	2017 Unrestricted £'000
Current assets	4,926	10,121
Current liabilities	(3,672)	(8,594)
Net free reserves	1,254	1,527

Notes to the Financial Statements

Year Ended 31 March 2018

23. STATEMENT OF FUNDS (GROUP) (CONTINUED)

Operating statement - Charity only	2018 Total £'000	2017 Total £'000
Income	93,273	91,475
Expenditure	(99,502)	(97,477)
Operating (loss) / surplus	(6,229)	(6,002)
BFI (Big Screen) Limited and British Screen Group surpluses gift aided to the BFI	3,001	3,466
Actuarial gains / (losses) on defined benefit pension schemes	9,508	(12,305)
Movement in fair value reserves	(424)	548
Movement in fixed asset revaluation reserves	7,444	32,417
Charity only funds at 1 April	58,149	40,025
Charity only funds at 31 March	71,449	58,149

24. LEASE COMMITMENTS (GROUP AND CHARITY)

At 31 March 2018, the Charity had commitments in respect of non-cancellable operating leases as set out below:

	Land and buildings 2018 £'000	Land and buildings 2017 £'000	Other 2018 £'000	Other 2017 £'000
Leases which expire:				
Less than 1 year	(1,835)	(1,835)	(77)	(50)
Within 2 to 5 years	(6,520)	(5,680)	(76)	(4)
Over 5 years	(13,296)	(3,471)	-	-
	(21,651)	(10,986)	(153)	(54)

25. CAPITAL COMMITMENTS (GROUP AND CHARITY)

As at 31 March 2018, the BFI had capital commitments outstanding of £Nil (2017: £0.12m) relating to the UFH Digitisation infrastructure and £3.57m (2017: £2.15m) relating to estate refurbishment.

26. CONTINGENT LIABILITIES (GROUP AND CHARITY)

At 31 March 2018 Grant in Aid awards had been made for activity commencing on or after 1 April 2018. As these are contingent upon the receipt of Grant in Aid funding from DCMS in 2018-19 these are not taken to the Statement of Financial Activities in the year but are disclosed here.

	2018 £'000	2017 £'000
Creative England	(813)	(830)
Film London	(501)	(511)
Film Agency for Wales	(114)	(117)
Northern Ireland Screen: Irish Language Fund	(3,000)	(3,000)
Northern Ireland Screen: Ulster Scots Fund	(1,000)	(1,000)
	(5,428)	(5,458)

Notes to the Financial Statements

Year Ended 31 March 2018

27. FINANCIAL AND OTHER COMMITMENTS

At the date of the statement of financial position there were financial commitments representing film rights investments made by the BFI where the investment decisions had been taken by the BFI and notified to the applicants but either the contracts had not been signed and/or the conditions precedent not met. Therefore work had not commenced on the assets in which the BFI is investing, so neither the asset nor the matching liability are represented in the balance sheet at that date.

	2018 £'000	2017 £'000
<i>Prior year Lottery awards</i>		
Production awards	(291)	-
Development awards	(25)	(35)
Targeted development awards	-	(300)
Vision Fund Awards	-	(50)
<i>In year Lottery awards</i>		
Production awards	(7,178)	(2,575)
Distribution awards	(292)	(531)
Development awards	(596)	(298)
Targeted Development Programme	-	(650)
Vision awards	-	(50)
Network awards	(10)	-
Financial commitments - notified but not yet recognised in the financial statements	(8,392)	(4,489)

Other contractual commitments

The BFI has entered into non-cancellable contracts (which are not leases), for a variety of services, including building maintenance, security and software support costs. The total payments to which the BFI is committed are as follows:

	2018 £'000	2017 £'000
<i>Other contractual commitments</i>		
Not later than one year	(1,754)	(980)
Later than one year and not later than five years	(380)	-
Later than five years	-	-
Contracts for delivery of services	(2,134)	(980)

28. CONTINGENT ASSETS (GROUP AND CHARITY)

The National Lottery Distributors are entitled to receive a share of the receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675 million to the funding of the London 2012 Olympic and Paralympic Games. This was announced in 2007. The arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority dated 29 March 2012 which sets out the distribution of funds between the GLA and the lottery distributors (via DCMS). Land sales are likely to take place over a lengthy period, estimated to be from 2018-19 to 2036-37 and DCMS estimates the first payments to the Lottery Distributors to come through around 2020-21.

BFI will be entitled to receive a portion of the receipts from the sale in line with the 2.705% of the funds available to the good causes that the BFI receives as a lottery distributor.

Due to the inherent uncertainties over such a time period of the going rate of such land sales it is not possible to yet quantify the value of this. However assuming that the selling price is at least the amount of the distributors' investment, the BFI could expect to receive in excess of £18m.

29. RELATED PARTIES (GROUP AND CHARITY)

The BFI maintains a publicly available register of Governors' interests. Given their broad experience across the film sector, it is inevitable that Governors had connections with or interests in projects and organisations that may from time to time have come to the BFI for funding. All Governors were therefore required to declare any direct interest in and commercial relationships with award applications made to the BFI and that they had no role in the award making process. Similarly, BFI employees were excluded from decision making around any relevant application involving any organisation or company in which they have a declared interest.

Governors receive no payment for their services and all payments to key management personnel have been disclosed in the Remuneration Report.

During the year the BFI entered into transactions, in the ordinary course of business, with related parties. National Lottery awards are included in film rights at the date of the balance sheet or written off to expenditure within the year.

All awards outstanding are payable upon the meeting of conditions precedent within individual contracts.

The following related party transactions occurred during the period:

Amanda Nevill (Chief Executive) is a Director and Trustee of the BFI Trust, with which there were a number of transactions in the year - see note 2: Other Significant Transactions.

Amanda Nevill (Chief Executive) is a Trustee, and Francesca Vinti is Treasurer, of the Friends of the BFI, a USA based charity with which there were a number of transactions in the year totalling £152,000 (2017: £303,000)

Josh Berger is President and Managing Director of Warner Bros. Entertainment UK, Ireland and Spain. The BFI traded with the Warner Bros. group of companies on an arms length basis during the year, including sales income of £38,558 (2017: £2,645) and expenditure, primarily film royalties, of £24,044 (2017: £25,477).

Notes to the Financial Statements

Year Ended 31 March 2018

29. RELATED PARTIES (GROUP AND CHARITY) (CONTINUED)

J. Timothy Richards is a Director of Vue Entertainment Ltd and the UK Cinema Association. The BFI traded with these organisations on an arms length basis during the year. Transactions with Vue included sales income of £1,796 (2017: £8,600) from film bookings and expenditure, primarily cinema hire for the BFI London Film Festival, of £70,630 (2017: £94,150). The BFI incurred expenditure with the UK Cinema Association of £600 (2017: £830) relating to membership, a film conference and music licences.

Oona King, Governor is a Director of YouTube with which the BFI incurred indirect marketing spend in the year of £6,004 (2017: £4,064).

Governors made unrestricted donations totalling £20,000 (2017: £33,000).

Executive directors made unrestricted donations totalling £nil (2017: £nil).

Lottery Awards

Recipient of funding	Name	Role with BFI	Relationship to recipient of funding	New Awards made Year Ended 31 March 2018	Balance as at 31 March 2018
BFI - London Film Festival	Amanda Nevill	CEO	CEO	750,000	-
BFI - Heritage 2022	Amanda Nevill	CEO	CEO	4,143,382	4,143,382
Big Talk Pictures Ltd	Matthew Justice	Governor	Director	44,500	44,500
Blueprint Pictures Ltd	Peter Czernin	Governor	Director	7,985	-

A number of BFI Governors and Staff are members of BAFTA, but with no formal management or governance role there-in. BAFTA received two lottery awards in the year ending 31 March 2018 totalling £47,200 of which a balance of £39,200 remained payable at that date. The BFI transacted with the BAFTA on an arms length basis during the year.

The BFI is a non-departmental public body sponsored by the Department for Digital, Culture, Media and Sport (DCMS). DCMS is regarded as a related party and during the year the BFI, as a recipient of Grant in Aid funding and as a Lottery distributor, had material transactions with DCMS - see note 2: Other Significant Transactions.

Awards made under the Lotteries Act Section 27 dispensation

Using the power granted by the Section 27 of the National Lotteries Act etc 1993, in 2012-13 the Secretary of State did not object to an award of £15,000,000 to the BFI in relation to Unlocking Film Heritage, the BFI's Archive Strategy as outlined in Film Forever future plan, for both the national and regional moving image archives. The award was made in March 2013 and was shown on the Statement of Financial Activities within Gross transfers between funds. At 31 March 2018 a balance of funds of £Nil (2017: £992,000) remained (note 23: Statement of Funds).

Under the same power in 2017-18 the Secretary of State did not object to an award of £750,000 (2016-17: £1,000,000) to the BFI in relation to the London Film Festival. The award was both made and fully paid within the financial year.

Under the same power in 2017-18 the Secretary of State did not object to an award of £4,143,000 (2016-17: £Nil) to the BFI in relation to the Heritage 2022 project, as outlined in the BFI 2022 plan. The award was made in the year and the restricted reserves balance at 31 March 2018 of £3,782,000 (note 23: Statement of Funds) is expected to be fully utilised and paid within the 2018-19 financial year.

30. LOSSES AND SPECIAL PAYMENTS (GROUP AND CHARITY)

Screen East, the regional screen agency under the RIFE programme, went into liquidation in September 2010. The agency had received grant and Lottery awards from the UKFC. A protective claim of £1,046,686 was lodged with the liquidator in order to ensure that Lottery funds were only applied for the intended purpose. This claim was transferred to the BFI on 1 April 2011 and disclosed in all subsequent BFI financial statements. The liquidator paid the funds due to delegated lottery awards and any remaining funds repaid to the BFI with no losses incurred. The liquidation process concluded and the company dissolved in October 2017.

31. POST BALANCE SHEET EVENTS (GROUP AND CHARITY)

With the transition into our new 5 year plan, BFI 2022, and the new funding structures therein around Talent Development, £0.4m of open award liabilities, with the matching cash, transferred to the BFI on 1 April 2018 from Creative England.

At the time of signing the accounts there were no other events after the reporting period, either adjusting or non-adjusting which require recognition or disclosure in the financial statements. The accounts were authorised for issue on the date the Comptroller and Auditor General signed the auditor's report.

BRITISH FILM INSTITUTE GROUP AND LOTTERY

Annual Report And Financial Statements 2017-18
Lottery Financial Statements

For the year ended 31 March 2018

Statement of Governors and Accounting Officer's Responsibilities

The Governors and Chief Executive are responsible for preparing the financial statements for the Lottery distribution activities of the BFI for each financial year under section 35(2) and (3) of the National Lottery etc. Act 1993 in the form and on the basis directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of the BFI Lottery Fund distribution activities and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing these financial statements, the Governors and the Chief Executive are required to:

- Observe the accounts directions issued by the Secretary of State, including the relevant accounting and disclosure requirements; apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the BFI Lottery distribution activities will continue in operation.



Josh Berger CBE
Chair

The Governors and Chief Executive confirm that the annual report and accounts as a whole is fair, balanced and understandable and that the Accounting Officer takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Accounting Officer for the DCMS has designated the Chief Executive of the BFI as the Accounting Officer for the BFI. The relevant responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping of proper records and for safeguarding the BFI's assets are set out in Managing Public Money published by HM Treasury and in the Financial Directions issued by the Secretary of State for Digital, Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.

The Governors and Chief Executive confirm they have met the responsibilities set out above and complied with the requirements for preparing the annual report and accounts on a fair, balanced and understandable basis, and the Chief Executive takes personal responsibility for this. The financial statements for the Lottery distribution activities have been compiled from and are in accordance with the financial records maintained by the Governors and Chief Executive, and all relevant information has been made available to the auditors.



Amanda Nevill CBE
Chief Executive

12 July 2018

The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the British Film Institute's Lottery Distribution Activities for the year ended 31 March 2018 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of British Film Institute's Lottery Distribution Activities as at 31 March 2018 and of the deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the British Film Institute's Lottery Distribution Activities in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Governors and Accounting Officer for the financial statements

As explained more fully in the Statement of Governors' and Accounting Officer's Responsibilities, the Governors and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of British Film Institute's Lottery Distribution Activities' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the British Film Institute's Lottery Distribution Activities' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Governors and the Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Remuneration and Staff Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993;

- in the light of the knowledge and understanding of the British Film Institute's Lottery Distribution Activities and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report or the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

17 July 2018

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Statement of Comprehensive Net Expenditure

Year Ended 31 March 2018

	Notes	2017-18 £'000	2016-17 £'000
Income			
Proceeds from the National Lottery	2	44,213	44,073
National Lottery Distribution Fund investment income	2	128	144
Recoupment income			
Arts Council England and UK Film Council portfolio	3	270	330
BFI portfolio	3	1,091	466
Other income		97	191
Total income		45,799	45,204
Expenditure			
Lottery - non-film rights awards	4	(27,520)	(18,853)
Impairments against film rights	5	(17,367)	(20,626)
Reversal of impairments against film rights	5	4,817	4,086
Operating costs	8	(5,569)	(5,594)
Restructuring costs	9	(369)	(369)
Total expenditure		(46,008)	(41,356)
Operating (deficit)/surplus		(209)	3,848
Bank interest receivable		4	3
(Deficit)/Surplus on ordinary activities before taxation		(205)	3,851
Tax on surplus on ordinary activities for the year		-	-
(Deficit)/surplus for the year		(205)	3,851
Other comprehensive expenditure			
Actuarial gain/(loss)	7	777	(611)
Movement in fair valuation reserve	5	(424)	548
Total other comprehensive / (expenditure)		353	(63)
Total comprehensive income		148	3,788

All activities were on a continuing basis. The accompanying notes 1 to 22 form part of these accounts.

Statement of Financial Position

As at 31 March 2018

	Notes	At 31 March 2018	At 31 March 2017
		£'000	£'000
Non-current assets			
Trade and other receivables falling due after one year	10	738	1,106
Total non-current assets		738	1,106
Current assets			
Film rights	5	12,430	12,627
National Lottery Distribution Fund	2	53,499	57,553
Trade and other receivables falling due within one year	10	3,902	2,615
Cash and cash equivalents	11	5,584	3,656
Total current assets		75,415	76,451
Current liabilities			
Trade and other payables	13	(101)	(67)
Other payables - award commitments	14	(20,606)	(19,112)
Provisions	15	(10,582)	(13,202)
Total current liabilities		(31,289)	(32,381)
Total net current assets for the year ended 31 March		44,126	44,070
Non-current liabilities			
Pension liability	7	(2,850)	(3,310)
Total non-current liabilities		(2,850)	(3,310)
Assets less liabilities		42,014	41,866
Capital and reserves			
Lottery reserve		42,411	42,299
Fair valuation reserve	5	2,453	2,877
Pension reserve	7	(2,850)	(3,310)
		42,014	41,866

The accompanying notes 1 to 22 form part of these accounts.

The financial statements were approved and authorised for signature by the Governors on 12 July 2018.



Josh Berger CBE
Chair



Amanda Nevill CBE
Chief Executive

12 July 2018

Statement of Changes in Equity

Year Ended 31 March 2018

	Notes	Lottery Reserve £'000	Fair Valuation Reserve £'000	Pension Reserve £'000	Total Reserve £'000
Balance at 31 March 2016		38,287	2,329	(2,538)	38,078
Surplus/(deficit) for the year		4,012	-	(161)	3,851
Re-measurements in the year	7	-	-	(611)	(611)
Movement in fair valuation reserve	5	-	548	-	548
Balance at 31 March 2017		42,299	2,877	(3,310)	41,866
Surplus/(deficit) for the year		112	-	(317)	(205)
Re-measurements in the year	7	-	-	777	777
Movement in fair valuation reserve	5	-	(424)	-	(424)
Balance at 31 March 2018		42,411	2,453	(2,850)	42,014

The accompanying notes 1 to 22 form part of these accounts.

Statement of Cash Flows

Year Ended 31 March 2018

	Notes	2017-18 £'000	2016-17 £'000
Operating (deficit)/surplus		(205)	3,851
Increase in film rights	5	(227)	(1,109)
Decrease in trade receivables	2,10	3,135	3,011
Increase in trade payables	13	34	-
Increase/(decrease) in award payables	14	1,494	(14,080)
Increase/(decrease) in provisions	15	(2,620)	7,191
Non cash pension movements	7	317	161
Interest received		(4)	(3)
Cash receipts from National Lottery Distribution Fund	2	(48,395)	(47,770)
Net cash from operating activities		(46,471)	(48,748)
Interest received		4	3
Cash receipts from National Lottery Distribution Fund	2	48,395	47,770
Cashflows from investing activities		48,399	47,773
Increase/(decrease) in cash in the year		1,928	(975)
Cash and cash equivalents at 1 April	11	3,656	4,631
Cash and cash equivalents at 31 March		5,584	3,656

The accompanying notes 1 to 22 form part of these accounts.

Notes to the Financial Statements

Year Ended 31 March 2018

1. ACCOUNTING POLICIES

Basis of Accounts

These financial statements are prepared on a going concern basis under the historical cost convention, and in accordance with the Accounts Direction issued by the Secretary of State for Digital, Culture, Media and Sport with the consent of Treasury in December 2014. These meet the requirements of section 35(3) of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and applicable Accounting Standards, except certain headings have been amended in order to reflect special circumstances of the charity.

The accounts have been prepared on a going concern basis given the on-going Statutory appointment of the BFI as a lottery distributor, bringing a certainty of future revenues, combined with the year end reserves of £42.0m (2017: £41.9m).

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FRM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the BFI for the purpose of giving a true and fair view has been selected. The particular policies adopted by the BFI are described below and they have been applied consistently in dealing with items that are considered material to the accounts.

The effect of new accounting standards and interpretations in issue but not yet adopted by the BFI that the directors anticipate will have a material effect on the reported income or net assets is noted below.

In accordance with the Direction issued by the Secretary of State for Digital, Culture, Media and Sport, financial statements have also been prepared for the BFI Group activities as a whole.

A copy of the Accounts Direction is available from the Secretary to the Board of Governors, 21 Stephen Street, London W1T 1LN or is available on line from gov.uk.

Accruals convention

Income and expenditure is accounted for on a receivable basis. The exception to this is recoupment income because of the inherent difficulties in relating the income to the period to which it relates. Recoupment income is therefore accounted for upon notification of amounts received by the BFI. Commitments are reported as per the National Lottery etc Act 1993.

As required by the Secretary of State for Digital, Culture, Media and Sport in the Accounts Direction, Lottery awards are accounted for on an accruals basis. Where the BFI has made a firm offer of a grant to a film rights or a non-film rights project, which together with the relevant conditions has been accepted by the recipient and the conditions of the grant have been fully met, the award is recognised as a payable. Where the BFI has agreed in principle to fund a scheme or project and made an offer, but the offer has not been accepted nor the associated conditions precedent met, the award is provided for in full at the year end. However, where the BFI has agreed in principle to fund a project in which it will take rights of recoupment ('film rights'), but the offer has not been accepted nor the associated conditions met, as the associated assets of the project can not yet exist, the award is treated as a financial commitment at the year end. These financial commitments are disclosed by way of a note to the financial statements, whereas the liabilities and provision are recognised in the financial statements.

Award commitments payable within one year of the Statement of Financial Position are recognised in the statement as current liabilities. Those payable more than one year from the date of the statement of financial position are shown as commitments payable over more than one year. Commitments for future years have been entered into which take into account income forecasts provided by the Department for Digital, Culture, Media and Sport (DCMS). These forecasts take a conservative view of future income.

Apportioned costs

The BFI incurred costs which are shared between Lottery and other activities, relating to operating costs for the year, restructuring costs and costs arising from capital spend attributable to Lottery. The BFI is required to apportion costs in accordance with the principles of full cost recovery as outlined in Managing Public Money. In addition to costs wholly attributable to Lottery activities, an assessment is made of the other costs attributable to Lottery activities incurred by service and other departments. This is based on a combination of head count, office space occupied, activity levels and additional expenditure incurred. These departments include Finance & Resources, External Affairs and the Chief Executive's Office.

National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Digital, Culture, Media and Sport. The share of these balances attributable to the BFI is as shown in the financial statements at an estimate of market value and, at the date of the statement of financial position, has been certified by the Secretary of State for Digital, Culture, Media and Sport as being available for distribution by the BFI in respect of current and future commitments.

The share of proceeds and investment returns attributed to the BFI has been treated as income within these financial statements.

Financial instruments

Other Lottery financial instruments include trade receivables and payables that arise directly from Lottery operations. The main risks arising from the financial instruments in the Lottery accounts are interest rate risk, foreign currency risk and other price risk.

Film rights

Film rights represent investment awards paid and payable to filmmakers which are repayable under certain conditions. Where a feature film made with the assistance of the BFI is successfully released, the BFI is entitled to participate in revenues generated by that success. This can lead to repayment of the investment in full, together with a share of the profits generated by the film.

Under International Financial Reporting Standards (IAS 32, 39 and IFRS 7) film rights fall within the definition of Financial Instruments. Within that, they meet the definition of 'available for sale' financial assets and are therefore shown in the Statement of Financial Position at fair value. The fair value, in line with definitions of IFRS 13, is based upon cash flows and models of future income that may be generated by the film right asset. The calculations behind these models are based upon external factors such as sales agents' estimates, actual sales made, and the recoupment order agreed in the financing contract between investors as well as internal factors such as the skills and expertise of management involved in these calculations and a review of the historic performance of the portfolio.

Notes to the Financial Statements

Year Ended 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

When an advance is made for an award (satisfying the definition of an award liability as above) the award is taken to the Statement of Financial Position initially at the full value of the award. An assessment is then made of the likely repayment of the award, if any, over the next seven financial years, with the valuation reduced by impairments to the extent that the repayment of the award is considered doubtful. The impairment is calculated either as standard percentage suggested by historic recoupment performance of that particular type of award, or based on the value suggested by future estimated receipts.

In subsequent years, the Film Rights valuations are reviewed to ensure that all revenues due are received and the valuation remains appropriate. The valuations are based on the best available information at the Statement of Financial Position date and the valuations will change over time. For instance, on production awards, the actual value of sales made to a territory may exceed or fall below the original sales estimate provided by the sales agent or the box office performance may exceed or fall below the initial projections following the release of a film.

Movements in impairments shown in the statement of Comprehensive Net Expenditure reflect the net effect of increases and decreases in impairments against film rights in the year. Any impairment may be reversed in part or in full if the valuation understates the fair value of the film rights. Advances for development and short film awards are fully impaired in the year of the award, unless there is a reasonable expectation of repayment in the next seven financial years.

Movements in Film Rights valuations shown in the Statement of Comprehensive Net Expenditure reflect the net effect of increases and decreases in valuations against Film Rights in the year. Awards are fully impaired unless there is a reasonable expectation of repayment in the next seven financial years.

If the valuation of the film rights is in excess of the amount of the award investment based on estimated recoupment over the next seven financial years, this is taken to a fair value reserve and released to income as the recoupment is received. In the context of the life of a film and its distribution cycle, seven years is felt to be a reasonable period over which a meaningful forecast can be taken, and is consistent with practice across the film industry.

Should the full amount of an award for film rights not be utilised, any unused element of the funding will be decommitted. If such a decommitment exceeds the impaired value of the film, then any necessary impairment will be released back to the Statement of Comprehensive Net Expenditure so the remaining impairment is not greater than the value of the revised investment value.

Film recoupment income

Income received from film rights is offset against the value of the film rights on the Statement of Financial Position.

Income in excess of the original value of the rights is taken to the statement of comprehensive net expenditure as film recoupment income and, where appropriate, through the fair value reserve.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the statement of financial position. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of comprehensive net expenditure.

Lease costs and commitments

Rentals payable under operating leases are charged in the group statement of financial activity on a straight-line basis over the lease term. The proportion of costs which relate to Lottery activities is charged within these accounts.

Pensions

The BFI operates a defined benefit pension scheme for employees joining on or before 31 December 2013, and a defined contribution scheme for subsequent joiners, with an apportionment of the costs and liability being made to Lottery on an assessment of appropriate relative levels of staffing.

A defined benefit pension scheme is a post employment benefit plan. The BFI's net obligation in respect of this is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value.

The pension liabilities and assets of the scheme are recorded in accordance with IAS 19. This measures the value of pension assets and liabilities at the statement of financial position date, determines the benefits accrued in the year, and the interest on the scheme's assets and liabilities. The valuation is undertaken by a qualified actuary.

The BFI operates a defined contribution scheme for employees joining on or after 1 January 2014. The amount charged to the Statement of Financial Position in respect of pension costs and other post-retirement benefits is the contribution payable in the year.

Provisions for award commitments

Provisions for award commitments arise where the BFI has agreed in principle to fund a scheme or project and made an offer, but where at the date of the statement of financial position either contracts have not been signed and/or the conditions precedent not met. Therefore these transactions are recognised as an award commitment but are not included in awards payable at the date of the statement of financial position but as a provision. Provisions are released in the following accounting periods as the offers of funding are contractually agreed and the associated conditions met.

Reserves

The Lottery reserve primarily represents the carrying value of film investments made by the UK Film Council prior to 31 March 2011 and British Film Institute since 1 April 2011, and uncommitted funds held at the National Lottery Distribution Fund, which are offset by all outstanding award liabilities.

If the valuation of the film rights is in excess of the amount of the award investment based on estimated recoupment over the next seven financial years, then this is taken to a fair value reserve, and released to income as the recoupment is received.

The fair value movement in the year is a decrease of £0.4 m made up of a increase in the fair value of film rights of £0.1 m and a release from the reserve of £0.5 m against recoupment received in the year and taken as recoupment to the statement of comprehensive net expenditure.

The pension reserve represents the liability arising on the valuation of the BFI pension fund at year end, as notified by the actuaries.

Estimates and judgements

Estimates and judgements have been used in the production of these accounts, notably with regard to the valuation of film rights as at the year end and in the recharge of operating costs. Details on the judgements and estimation involved in the valuation of the film rights are set out in the Film Rights accounting policy above and note 5: Film Rights and Impairments. The recharge of operating costs are based on an assessment relevant direct costs of the lottery departments and an appropriate proportion of the central support functions such as Facilities, Finance and IT. Further information can be found in note 8: Operating Costs

Notes to the Financial Statements

Year Ended 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

Segmental reporting

The BFI is required under the Lotteries Act to produce statutory accounts which cover its operations as a Lottery distributor to 31 March 2018. These are reported to the Board of Governors and the Chief Executive Officer as a stand-alone entity. Therefore in the context of IFRS8 no additional disclosure of segmental reporting is deemed appropriate.

Analysis of total expenditure between administrative and programme spend

Under the definitions of the Financial Reporting Manual 2017-18 all activities in these accounts are programme spend.

Standards, amendments and interpretations to existing standards not yet effective

The application of any new or amended International Financial Reporting Standards is governed by their adoption into the FReM issued by HM Treasury. Usually such changes are not put into effect by the FReM until the effective date of the related IFRS, although occasionally some changes are adopted early or might be delayed. The following standards have been published but are not effective for the periods presented. The BFI has chosen not to adopt these standards early as they are either not relevant to the circumstances of the BFI Lottery Distribution activities or are not considered to have a significant impact on the financial statements:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenues from Contracts with Customers
- IFRS 16 - Leases

The new International Financial Reporting Standards (IFRS) 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers) are effective for periods beginning on or after 1 January 2018 and have thus not been applied in these Financial Statements for the year ending 31 March 2018. They will be applied in the Financial Statements for the year ending 31 March 2019.

IFRS 16 (Leases) applies for periods beginning on or after 1 January 2019, and is thus not applicable until the year ending 31 March 2020.

However under IAS 8 we are required to disclose the anticipated impact of the introduction of these standards upon the financial statements in advance of the period of implementation.

IFRS 9 (Financial instruments)

Under the current IFRS relating to Financial Instruments (IAS 32, IAS 39 and IFRS7), film rights fall within the definition of financial instruments, and within that meet the definition of "available for sale financial assets". They are thus shown in the statement of financial position at fair value. The fair value is based upon a review of external evidence such as the sales agents' estimates as to the likely revenues generated by a project, where it is in the life cycle of the project, and upon actual performance of the year to date. This is matched with the knowledge and experience of the staff and management involved in the process of assessing the projects both at application stage and as they come to fruition. Any reduction in fair value is immediately taken to the Statement of Comprehensive Net Expenditure in the year.

The valuation of film rights is subject to ongoing review to ensure a fair value is maintained, with any impairments being charged as an expense. Any increase in fair value beyond the original investment value is taken to the fair value reserve through the Statement of Other Comprehensive Expenditure and only released on the actual receipt of funds.

Under the new standard film rights would meet the classification for assets measured at fair value with gains and losses being recognised in the profit and loss account – and will thus be designated as held at fair value through profit or loss (FVTPL) utilising the irrevocable election permitted in the standard for changes in fair value to be reflected in Other Comprehensive Expenditure. As such we believe that the current methodology for assessing fair valuation meets the criteria of the new standard.

Were the new standard to be implemented as at 31 March 2018, we do not anticipate there would be any change in the classification of film rights or their valuation at £12.4m (2017: £12.6m) as recognised in these financial statements.

IFRS 15 (Revenue from contracts with customers)

IFRS 15 establishes principles that an entity shall apply to report useful information to readers of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. A customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

As a Lottery Distributor the main source of income for BFI Lottery is our share of Lottery proceeds and associated income. Recoupment income is outside the scope of IFRS 15 as it relates to our treatment of film right valuations under IFRS 9 (Financial instruments). In neither of these is there a customer relationship. With the immateriality of other income there are no material revenue streams in BFI Lottery activities that would fall under this standard which will consequently have no impact on the financial statements.

IFRS 16 (Leases)

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

As recorded in note 16 these financial statements include costs of the rental of office space at 21 Stephen Street, London which would fall under the definitions of the standard. BFI Lottery will thus be required to reflect the discounted liability of the relevant portion of the lease for its term to 2031 in the Statement of Financial Position, with a matching "right to use" asset. There is thus no change in the total of assets less liabilities but current and non-current assets and liabilities will all increase. Guidance is anticipated from HM Treasury as to the common approach to be adopted in the first year of implementation of this standard, to ensure consistency across Government.

Notes to the Financial Statements

Year Ended 31 March 2018

2. LOTTERY INCOME AND THE NATIONAL LOTTERY DISTRIBUTION FUND

The movement in balances held at the NLDF is as follows:

	2017-18 £'000	2016-17 £'000
Opening balance held at the NLDF	57,553	61,106
Income received from the Lottery	44,213	44,073
Investment income earned	128	144
Available for distribution	101,894	105,323
Cash drawn down	(48,395)	(47,770)
Balance as at 31 March	53,499	57,553

The funds are invested on behalf of the NLDF by the National Debt Commissioners. The BFI's distribution is in accordance with Sections 22 and 23 of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998). The BFI is required by statute to show on the statement of financial position the lower of the market value or the cost of the investment as at the year end. There were no unrealised gains in the year (2017: nil).

Income received from the Lottery

Underlying lottery sales in 2017-18 remained largely consistent with those of the previous year. However, the income includes two other variable factors:

- repayment in the period to 2024 of the £58.2m deducted from Lottery receipts at source in 2013-14 by Camelot, in relation to promotion of the new games, prizes and price modelling that came into effect in October 2013. The BFI's share of this was £1.6m.
- receipts of unclaimed prize money.

	2017-18 £'000	2016-17 £'000
Income received from Lottery therefore contains:		
Repayment of diversion regarding promotion of new games, prizes and price modelling	330	431
Unclaimed prize money	3,316	3,577

The £0.33m repayment of the diversion regarding Lottery promotion is the final installment repaying the diverted funds.

3. FILM RIGHTS RECEIPTS AND RECOUPMENT INCOME

The BFI receives income generated from rights in the portfolio of film projects invested in since 1 April 2011. Additionally under the transfer agreement with UK Film Council, the BFI receives all future income generated from rights in the portfolio of films transferred from the UK Film Council and Arts Council England at that date.

Income received from film rights is offset against the value of the film rights on the statement of financial position. Income in excess of the original value of the rights is taken to the statement of comprehensive net expenditure as film recoupment income through the movement in fair value reserve.

	2017-18 £'000	2016-17 £'000
Total film receipts taken as income	1,361	796
Total film receipts taken against film rights on the statement of financial position	5,532	5,185
	6,893	5,981

Those film receipts where the revenue is taken as income related to:

	2017-18 £'000
8 films generating < £100,000	270
Arts Council England and UK Film Council portfolio	270
Free Fire	487
I, Daniel Blake	184
Philomena	122
11 films generating < £100,000	298
BFI portfolio	1,091
	1,361
Total film receipts taken against film rights on the statement of financial position	
	2017-18 £'000
45 Years	125
A United Kingdom	212
Free Fire	923
The Girl with All the Gifts	671
176 films generating < £100,000	3,601
	5,532

Notes to the Financial Statements

Year Ended 31 March 2018

4. NON-FILM RIGHTS AWARDS

Non-film rights awards are made across a number of schemes operated by the BFI. The majority of awards are for single projects which are anticipated to be completed within one year. With the implementation of our new 5 year plan, BFI2022, and in comparison to previous years, no significant multi-year awards were made. However awards were made in the year to March 2018 for activities in 2018-19.

The activity support areas itemised below are those areas where it is deemed that activity on behalf of the industry and indeed the public at large, and funded by Lottery monies, are most cost effectively and efficiently carried out by the BFI as the lead body for the film sector.

Analysis of non-film rights awards by strand:

	New awards in the year £'000	Decommit- ments* £'000	2017-18 Awards net of fall ins £'000	2016-17 Awards net of fall ins £'000
Funding to cover the period to March 2019				
Film Skills Fund awards	(6,672)	-	(6,672)	-
Film Network fund	(4,181)	-	(4,181)	-
Film Heritage fund	(4,143)	-	(4,143)	-
	(14,996)	-	(14,996)	-
Project or single year funding to cover the period to March 2018				
Audience Fund	(4,050)	-	(4,050)	-
Rewarding Success	(2,126)	-	(2,126)	(1,355)
International awards	(1,780)	145	(1,635)	(1,100)
Targeted development fund	(1,320)	-	(1,320)	(100)
London Film Festival	(750)	-	(750)	(1,000)
Creative Enterprise	(695)	-	(695)	-
Creative England - ifeatures, talent and production	-	-	-	(1,686)
Lottery Archive Fund	(602)	-	(602)	(239)
Film Academy awards	(568)	84	(484)	(483)
Film Education awards	(400)	-	(400)	(4,800)
Vision awards	-	-	-	-
Research and Statistics awards	(322)	5	(317)	(230)
Distribution and Exhibition awards	(25)	-	(25)	-
Film Network fund	-	-	-	(2,327)
Film Skills Fund awards	-	-	-	(2,222)
BFI Neighbourhood awards	-	-	-	(618)
Diversity awards	-	-	-	(200)
Production hub awards	-	-	-	(100)
Film Festivals awards	-	2	2	(1,043)
Film Fund and Regional awards (non-film rights)	-	22	22	52
Programme Development Fund	-	95	95	(1,179)
	(12,638)	353	(12,285)	(18,630)
Activity support				
Research and statistics	(239)	-	(239)	(223)
Total activity support	(239)	-	(239)	(223)
Total Lottery non-film rights	(27,873)	353	(27,520)	(18,853)

* A decommitment (or fall in) is when an award is reduced for any reason with the agreement, and usually at the volition of, the award recipient. The balance is written back against the relevant award strand in the statement of comprehensive net expenditure.

Rewarding success above represents recoupment received in the year under the producer corridor arrangements and thus held on behalf of film-makers. Further information is provided in note 15.

Notes to the Financial Statements

Year Ended 31 March 2018

5. FILM RIGHTS AND IMPAIRMENTS

Film rights fall within the definition of 'available for sale' financial assets and are held at fair value. The valuation approach to establish the fair value of the film rights portfolio is set out in Note 1 Accounting Policies.

Under IFRS 13 the valuation of the film rights assets are determined on the basis of level 3 inputs, with unobservable inputs being used for the asset as there is no market activity for these at the balance sheet date.

The BFI's primary objective in investing in film rights is to support the future success of British film by backing new voices, new stories, new ideas and skills, enriching and diversifying British film production. Thus whilst the potential commercial success of a project is important in our assessment of an application it is not the only funding criteria.

The fair value of film rights at 31 March is as follows:

	2017-18	2016-17	2015-16	2014-15	2013-14
	£'000	£'000	£'000	£'000	£'000
Production Awards	10,210	10,370	9,324	6,022	14,166
Vision Awards	1,368	1,500	1,095	965	616
Development Awards	333	374	316	223	260
Distribution Awards	489	329	180	211	301
Other Awards	30	54	55	140	15
Film Rights Valuation	12,430	12,627	10,970	7,561	15,358

Production awards are made to producers to co-finance feature film productions and from which we are entitled to recoup our award and take a share of net profits from the film. The value of the productions will be dependent upon many factors which are inherently uncertain; the ability of sales agents to meet sales estimates, how the film will be critically and commercially received (including box office projections and exchange rates) all play a role. Further details are set out in the impairments note below.

Vision Awards are made to production companies to enable them to develop their business and the awards are repayable from any applicable feature film production made by the production company. As we do not expect all recipients to be required to repay the award in full we routinely impair 50% of the award in the year in which it is committed.

Development awards are made to producers to support a film development. In the event that the development project progresses into a feature film production, we would be entitled to be repaid our award and take a share of net profits. Accordingly development awards are impaired in full in the year in which the award is made, unless there is a reasonable anticipation of it progressing to production.

Distribution awards are made to distributors to support the release of a film in the UK and repayable dependent upon the performance of the film release.

Other awards include targeted development awards which are awarded to support new talent. These awards are written off in full in the year unless there is a reasonable expectation of recoupment.

Movements in the valuation of film rights

	2017-18	2016-17	2015-16	2014-15	2013-14
	£'000	£'000	£'000	£'000	£'000
Film rights valuation at 1 April	12,627	10,970	7,561	15,358	16,375
New commitments: made in year	18,783	23,150	23,570	16,892	27,208
Decommitments: new film rights in year	(23)	-	(135)	(149)	(34)
Decommitments: historical portfolio	(451)	(315)	(463)	(1,088)	(17)
Repayment of investments: new film rights in year	(508)	(539)	(449)	(389)	(791)
Repayment of investments: historical portfolio	(5,024)	(4,647)	(3,608)	(4,307)	(2,934)
Impairments: new film rights in year	(15,530)	(19,114)	(17,494)	(13,519)	(19,293)
Impairments: historical portfolio	(1,837)	(1,512)	(2,354)	(5,676)	(5,069)
Impairments written back	4,817	4,086	3,338	2,670	1,781
Fair value movement in year: decrease for income already received	(478)	(459)	(576)	(911)	(2,205)
Fair value movement in year: increase/(decrease) in additional income expectation	54	1,007	1,581	(1,320)	337
Film rights valuation at 31 March	12,430	12,627	10,970	7,561	15,358

Notes to the Financial Statements

Year Ended 31 March 2018

5. FILM RIGHTS AND IMPAIRMENTS (CONTINUED)

The value of new commitments made in the year will vary due to timing differences arising from the closure of awards.

The valuation of the Film Rights is based on the anticipated cash receipts over the next seven financial years after the Statement of Financial Position date. In relation to recent production awards (that is production awards that were recognised as awards payable this financial year and the last seven financial years), the valuation is based on the cash receipts anticipated from the first cycle of revenues including revenues from cinema, DVD, Video On Demand and television. In relation to older production awards, the valuation is based on the anticipated cash receipts for the next seven years following the balance sheet date calculated from the individual film's historic cash receipts. All such anticipated cash receipts are discounted using the applicable Treasury Rate of 3.7% (2017: 3.7%).

Movements in impairments in the year are as follows:	2017-18 £'000	2016-17 £'000	2015-16 £'000	2014-15 £'000	2013-14 £'000
Impairments: new film rights in year	(15,530)	(19,114)	(17,494)	(13,519)	(19,293)
Impairments: historical portfolio	(1,837)	(1,512)	(2,354)	(5,676)	(5,069)
	(17,367)	(20,626)	(19,848)	(19,195)	(24,362)
Impairments written back: historical portfolio	4,817	4,086	3,338	2,670	1,781
Net movement in impairments	(12,550)	(16,540)	(16,510)	(16,525)	(22,581)

The value of impairments on new film rights in the year is always governed by the value of awards made and therefore can vary considerably year to year.

As at 31 March 2018, the Film Rights valuation for production awards is £10.2 m (2017: £10.4m) and for all other Film Rights is £2.2 m (2017: £2.2m) totalling £12.4 m (2017: £12.6m). For production awards, were the recoupment levels and valuation to vary by +/- 5%, the impact of the valuation of Film Rights at 31 March 2018 would be £0.5m for 202 awards (2017: £0.5m for 183 awards).

In relation to older production awards, the Film Rights valuation is calculated on the assumption that the future anticipated receipts will be based on the historic cash receipts for the two years prior to the Statement of Financial Position date, subject to an 85% default reduction every three years, except for films in profit which are calculated on the assumption that the future anticipated receipts will be based on the historic cash receipts for the three years prior to the Statement of Financial Position date, subject to a 75% default reduction every three years. The total amount of the Film Rights valuation based on this methodology is £3.2m (2017: £3.4m). Were this default reduction percentage to change to +/- 10% the Film Right valuation would change by :

	£'000 +10%	£'000 0.00%	£'000 -10%
2017-18	(500)	3,200	400
2016-17	(600)	3,400	400

In relation to recent production awards (that is production awards that were recognised as awards payable this financial year and the previous three financial years), the Film Rights valuation is based on future anticipated receipts. These cash receipts are principally earned in US dollars and converted to pounds sterling before payment is made to the BFI's bank accounts. The default pound sterling to US dollar exchange rate is calculated using the average daily exchange rate for the two years to the Statement of Financial position date rounded to the nearest 5 US cents. The default rate as at 31 March 2018 for production awards is US \$1.30 (2017: US \$1.40).

Had the pound sterling to US dollar exchange rate remained at \$1.40 for the purposes of the Film Rights valuation, then the valuation of the total of these production awards would be reduced by £0.4m. Were the valuation calculated using US \$1.20, then these valuations would be increased by £0.5m (and the awards at March 17 would increase by £1.0m).

Fair value adjustments in the year can be summarised as follows:	2017-18 £'000	2016-17 £'000
Fair value reserve at 1 April	2,877	2,329
Decrease for income received	(478)	(459)
Increase for expected future income	54	1,007
	(424)	548
Fair value at 31 March	2,453	2,877

Further information on the movement on film rights can be found on the bfi website: <http://www.bfi.org.uk/about-bfi/annual-review-management-agreement>

Notes to the Financial Statements

Year Ended 31 March 2018

6. STAFF COSTS

No member of the Board of Governors received remuneration during the year (2017: none).

The costs of staff working wholly on Lottery activities comprised:	2017-18 £'000	2016-17 £'000
Wages and salaries	1,861	1,955
Social Security costs	211	220
Pension service costs and other pension costs	441	311
	2,513	2,486

The average number of staff (full-time equivalents) employed during the year was made up as follows:

	2017-18 Number	2016-17 Number
Management and administration:		
Permanent staff	37	38
	37	38

Staff costs for the year are contained within the costs apportioned from grant-in-aid on the statement of comprehensive net expenditure.

The remuneration of the Chief Executive Officer and costs attributable to Lottery during the year are as follows:

	2017-18 £	%	Attributable to Lottery £
Amanda Nevill Salary and benefits	145,454		71,272
Total	145,454	49.0%	71,272
Pension contribution	16,727		8,196
	2016-17 £	%	Attributable to Lottery £
Amanda Nevill Salary and benefits	144,016		72,008
Total	144,016	50.0%	72,008
Pension contribution	16,417		8,209

The percentage of the remuneration of the Chief Executive Officer apportioned to Lottery is reviewed on an annual basis.

Notes to the Financial Statements

Year Ended 31 March 2018

7. PENSION BENEFITS

The BFI is an admitted body of the LPFA. Although membership of the scheme is open to all employees, only those costs relating to staff employed on Lottery activities are disclosed in these accounts. An apportionment of the pension assets and liabilities is calculated on the basis of the numbers of staff employed on Lottery activities and their pensions contributions in year as a percentage of those of the whole organisation.

The pension scheme is (for joiners on or prior to 31 December 2013) a defined benefit scheme and is funded by employees and employers at actuarially determined rates. Employer contributions charged for members of the defined benefit scheme amounted to £240,000 (2017: £289,000)

Following the advice of the consulting actuaries to the scheme, the BFI's employer contributions for current service (as a percentage of the pensionable salary) were set at 11.5% throughout the year (2017: 12.2%).

A valuation under IAS19 as at March 2018 was carried out by a qualified independent actuary. The assumptions used by the actuary for the BFI's scheme were:

	2017-18 %	2016-17 %
Rate of increase in salaries	3.8	4.1
Rate of increase in pension payments	2.3	2.7
Discount rate	2.6	2.8
Inflation assumption (CPI)	2.3	2.7
Average life expectancy at 65:	Males	Females
Current pensioners	21.7	24.6
Future pensioners	24.1	26.9

The estimated asset allocation as at 31 March was:

	2017-18 Long term rate of return expected £'000	2016-17 Long term rate of return expected £'000
Equities	5,000	5,496
Target return portfolio	3,237	1,924
Infrastructure	392	458
Property	686	458
Cash	490	824
Total market value of assets	9,805	9,160

The net pension liability was:	At 31 March 2018 £'000	At 31 March 2017 £'000	At 31 March 2016 £'000
Present value of funded obligation	(12,655)	(12,470)	(9,890)
Fair value of scheme asset	9,805	9,160	7,352
Net liability	(2,850)	(3,310)	(2,538)

The amounts recognised in the statement of comprehensive net expenditure are as follows:

	2017-18 £'000	2016-17 £'000
Current service cost	(455)	(348)
Net interest on the defined liability	(90)	(90)
Administration expenses	(12)	(12)
Total	(557)	(450)
Actual return on plan assets	558	1,517
Amounts recognised in statement of changes in equity:	2017-18 £'000	2016-17 £'000
Return on plan assets in excess of interest	301	1,244
Other actuarial gains/(losses) on assets	-	146
Change in financial assumption	476	(2,302)
Experience gain/(loss) of defined benefit obligation	-	301
Remeasurements recognised in the statement of changes in equity	777	(611)
Cumulative remeasurements in statement of changes in equity	(3,455)	(4,232)

Notes to the Financial Statements

Year Ended 31 March 2018

7. PENSION BENEFITS (CONTINUED)

Changes in the present value of the defined benefit obligation:	2017-18 £'000	2016-17 £'000
Opening defined benefit obligation	(12,470)	(9,890)
Current service cost	(455)	(348)
Interest cost	(347)	(363)
Contributions by members	(97)	(111)
Change in financial assumptions	476	(2,302)
Experience gain/(loss) on defined benefit	-	301
Benefits paid	238	243
Closing defined benefit obligation	(12,655)	(12,470)

Changes in the fair value of the scheme assets:	2017-18 £'000	2016-17 £'000
Opening fair value of employer assets	9,160	7,352
Contributions by members	97	111
Contributions by employer	240	289
Interest on assets	257	273
Return on assets less interest	301	1,244
Other actuarial gains/(losses)	-	146
Admin expenses	(12)	(12)
Benefits paid	(238)	(243)
Closing fair value of employer assets	9,805	9,160

The sensitivity analysis on the major assumptions in the above, and based on the whole scheme is:

	£'000	£'000	£'000
Adjustment to discount rate			
	+0.1%	0.0%	-0.1%
	Present value of total obligation	12,412	12,655
	Projected service cost	444	455
Adjustment to long term salary increase			
	+0.1%	0.0%	-0.1%
	Present value of total obligation	12,678	12,655
	Projected service cost	455	455
Adjustment to pension increases and deferred valuation			
	+0.1%	0.0%	-0.1%
	Present value of total obligation	12,880	12,655
	Projected service cost	466	455
Adjustment to mortality age rating assumption			
	+ 1 year	0.0%	- 1 year
	Present value of total obligation	13,118	12,655
	Projected service cost	470	455

A history of experience gains and losses is shown below:	2017-18 £'000	2016-17 £'000
Fair value of employer assets	9,805	9,160
Present value of defined benefit obligation	(12,655)	(12,470)
Deficit	(2,850)	(3,310)
Experience (losses)/gains on assets	558	1,517
Experience gains/(losses) on liabilities	-	301

From 1 January 2014 the BFI also operates a defined contribution pension scheme which is available for all employees not already in the defined benefit scheme.

Notes to the Financial Statements

Year Ended 31 March 2018

8. OPERATING COSTS

	2017-18 £'000	2016-17 £'000
Direct Lottery costs		
Direct staff costs	2,258	2,373
Other staff costs (including agency staff, training and recruitment)	132	55
Travel and subsistence	156	144
Events and other hospitality	16	29
Professional fees: Audit - National Audit Office	46	46
Professional fees: other	57	72
Other	81	92
	2,746	2,811
Recharged costs from BFI non-lottery activities re support functions	2,823	2,783
	5,569	5,594

The direct lottery costs are those of the front-line award making departments. These costs are those of the Film Fund (International, Production, Operations, Audience Fund, Directorate), Education Partners, Business Affairs and Production Finance.

These costs cover the administration and processing of grants, project development and other costs, the costs of generating recoupment and talent support and development activities.

The remaining costs are those central costs of the BFI attributed to Lottery relating to CEO, External Affairs, and support functionality such as Finance, HR, IT and Digital.

Costs of generating recoupment are the assessment of the costs that relate to the generation and oversight of BFI recoupment from the investments in film rights within Business Affairs, Production Finance and the Film Funds. In 2017-18 total recoupment was £6.9m (2016: £6.0m). The costs of recovering these costs and of talent support stood at £1.8m (2017: £1.7m) 26% of the funds recouped (2017: 28%).

9. RESTRUCTURING COSTS

	2017-18 £'000	2016-17 £'000
Release of prepayment of capital transfer to BFI	369	369
	369	369

The above prepayment relates to the contribution made to the capital works undertaken by BFI on the Stephen Street offices in relation to the transfer of staff and activities with the closure of UK Film Council and the appointment of BFI as Lottery Distributor from April 2011. The assets are held in the BFI Charity/Group. The lottery contribution was advanced to match the spend, being treated as a prepayment being released over the period of the Stephen Street lease and thus matching the amortisation of this spend in the Charity/Group accounts.

10. TRADE AND OTHER RECEIVABLES

	At 31 March 2018 £'000	At 31 March 2017 £'000
Trade and other receivables falling due after one year		
Prepayments and accrued income	738	1,106
Total trade and other receivables falling due after one year	738	1,106
	At 31 March 2018 £'000	At 31 March 2017 £'000
Trade and other receivables falling due within one year		
Prepayments and accrued income	369	369
Trade debtors	928	747
Other receivables - BFI Exchequer	2,188	1,161
Other receivables	417	338
Total trade and other receivables falling due within one year	3,902	2,615

11. CASH AND CASH EQUIVALENTS

	At 31 March 2018 £'000	At 31 March 2017 £'000
Cash and cash equivalents at 1 April	3,656	4,631
Net change in cash and cash equivalent balances	1,928	(975)
Cash and cash equivalents at 31 March	5,584	3,656

£2.5m (2017: £1.8m) of cash held in BFI lottery bank accounts is funds recouped by BFI and held on behalf of producers under the "Rewarding Success" recoupment corridor. See note 15: provisions.

All Lottery cash balances are held in commercial bank accounts.

Notes to the Financial Statements

Year Ended 31 March 2018

12. FINANCIAL INSTRUMENTS

International Financial Reporting Standards require disclosure of the role which financial instruments have had during the period, in creating or changing the risks the BFI faces in undertaking its role.

Film rights

Under International Financial Reporting Standards relating to Financial Instruments (IAS32, IAS39 and IFRS7), film rights fall within the definition of financial instruments and within that meet the definition of 'available for sale financial assets' and are therefore shown in the statement of financial position at fair value.

Establishing the fair value of film rights is subjective and therefore contains an element of risk. The fair value is based on a review of external evidence such as the sales agents' estimates as to the likely revenues generated by a project, where it is in the life cycle of the project, and upon actual performance of the film to date. This is matched with the knowledge and experience of the staff and management involved in the process of assessing the projects both at application stage and as they come to fruition. Any reduction in fair value is immediately taken to the statement of comprehensive net expenditure in the year.

The valuation of film rights is subject to on-going review to ensure a fair value is maintained, with any impairments being charged as expenditure. Any increase in the fair value beyond the original investment value is taken to reserves and only released as income on the actual receipt of funds.

	2017-18 £'000	2016-17 £'000
Film rights valuations at 31 March	12,430	12,627

Liquidity risks

Lottery cash inflows can be analysed as:	£'000	2017-18 %	£'000	2016-17 %
Income received from the National Lottery	44,213	86.1%	44,073	87.4%
Investment returns from the balance held at the NLDF	128	0.3%	144	0.3%
Recoupment income from film rights	6,893	13.4%	5,981	11.9%
Other income including legacies, grants and donations	97	0.2%	191	0.4%
	51,331	100.0%	50,389	100.0%

	2017-18 £'000	2016-17 £'000
NLDF balance at 31 March as notified by the Secretary of State for Digital, Culture, Media and Sport	53,499	57,553
Lottery funds held in cash and cash equivalents by the BFI at 31 March	5,584	3,656
	59,083	61,209

	2017-18 £'000	2016-17 £'000
Lottery awards payable	20,606	19,112
Provision for non-Lottery film rights awards	10,582	13,202
Film rights award allocations noted as contingent liabilities	8,391	4,489
	39,579	36,803
Under commitment against funds available at 31 March	19,504	24,406

Interest rate risks

The BFI's largest financial asset is retained in the NLDF, which invests in a narrow band of low risk assets such as Government bonds and cash. Neither the BFI nor its Governors has any control over these investments. The interest rate risks in respect of these financial assets are disclosed in the financial statements of the NLDF.

	2017-18 £'000	2016-17 £'000
Market value of BFI investment at NLDF at 31 March	53,499	57,553
Average investment return at NLDF	0.35%	0.34%

Cash drawn from the NLDF, or received from other sources, to pay grant commitments and operating costs are held in variable rate bank accounts:

	2017-18 £000s	2016-17 £000s
Lottery funds held in cash and cash equivalents by the BFI at 31 March	5,584	3,656
Average interest rate on cash held in variable rate bank accounts	0.09%	0.07%

Foreign currency risks

The BFI's financial assets are not exposed to material foreign exchange risks as long-term balances are held in sterling, however foreign currency exchange risks are significant in the valuation of the Film Rights as explained in note 5: Film Rights and Impairments.

Notes to the Financial Statements

Year Ended 31 March 2018

13. TRADE AND OTHER PAYABLES

	At 31 March 2018 £'000	At 31 March 2017 £'000
Other payables	101	67
	101	67

It is anticipated that all other payables as at 31 March 2018 fall due within one year.

14. OTHER PAYABLES - AWARDS COMMITMENTS

	2017-18 £'000	2016-17 £'000
At 1 April	19,112	33,192
New film rights commitments in year	18,783	23,150
Commitments transferred from prior year provision for non-film rights awards	11,313	5,273
New non-film rights commitments in year	17,643	6,321
Decommitments	(353)	(315)
Amounts paid	(45,892)	(48,509)
At 31 March	20,606	19,112

	At 31 March 2018 £'000	At 31 March 2017 £'000
Award commitments payable at 31 March relate to:		
Film Skills Fund	8,275	3,800
Film Audience Network awards	3,509	683
Production Fund	2,640	5,314
Targeted Development and Talent Network Fund	1,242	834
Distribution Fund	1,135	654
Development Fund	812	1,405
Vision Awards	752	1,738
International awards	723	590
Audience fund awards	542	-
Film Education Fund	279	107
Creative England	180	970
Regional Archive Fund	148	24
Research Fund	146	84
Creative Enterprise	88	-
Programme Development Fund awards	52	520
Film Academy awards	42	529
Neighbourhood awards	26	128
Diversity Fund	15	51
Unlocking Film Heritage	-	1,239
Film festival awards	-	398
Cluster Fund	-	44
	20,606	19,112

Decommitments arise when any element of the award is not utilised once contracts are signed and drawdown has commenced.

Commitments transferred from the provision for non-film rights awards in 2017-18 are as follows:

	Prior Year Provision £'000	New Provisions £'000
Education Fund	4,800	-
Film Skills Fund	2,068	7,071
Creative England - delegated funds	1,687	-
Creative Enterprise	-	695
Film Audience Network awards	1,595	4,164
International awards	510	1,225
Film festival awards	350	-
Neighbourhood awards	165	-
Research Fund	100	322
Film Academy awards	38	456
Audience Fund	-	1,716
London Film Festival	-	750
Regional Archive Fund	-	487
	11,313	16,886

Notes to the Financial Statements

Year Ended 31 March 2018

14. OTHER PAYABLES - AWARDS COMMITMENTS (CONTINUED)

New non-film rights commitments in the year:

	At 31 March 2018 £'000	At 31 March 2017 £'000
Project funding to 31 March 2019		
Future Skills Programme	7,071	360
Film Audience Network Fund	4,164	732
Audience Fund	1,716	-
International awards	1,225	784
London Film Festival award	750	1,000
Targetted Development/Talent Network Fund	732	-
Creative Enterprise Fund	695	-
Regional Archive Fund	487	239
Film Academy awards	456	448
Research Fund awards	322	195
Distribution award	25	-
Film Festivals awards	-	700
Programme Development Fund	-	1,210
BFI Neighbourhood awards	-	453
Diversity awards	-	200
New commitments in year	17,643	6,321

Reconciliation of new awards in year per the statement of comprehensive net expenditure to new commitments, awards payable on the statement of financial position:

	2017-18 £'000	2016-17 £'000
Non-film rights awards taken to SOCNE in the year	27,520	18,853
Less spend on activity support in year	(239)	(223)
Less new awards in year taken to SOCNE but recorded by way of provision at year end	(10,059)	(11,588)
Add back decommitments of awards from prior years taken as negative spend on SOCNE	421	(721)
New non-film rights commitments taken as awards payable	17,643	6,321

Ageing of award commitments, estimated date of payment:

	At 31 March 2018 £'000	At 31 March 2017 £'000
Estimated payment within one year	20,606	19,112

15. PROVISIONS

	Non Film Right Awards £'000	Rewarding success £'000	2017-18 Total £'000	2016-17 Total £'000
At 1 April	11,413	1,789	13,202	6,011
New provisions in the year	24,749	2,126	26,875	19,101
Provisions written back in year	(31)	-	(31)	(12)
Provisions released in year	-	(1,266)	(1,266)	(302)
Transferred to other payables - award commitments	(28,198)	-	(28,198)	(11,596)
At 31 March	7,933	2,649	10,582	13,202

Notes to the Financial Statements

Year Ended 31 March 2018

15. PROVISIONS (CONTINUED)

Provisions for award commitments arise where the BFI has agreed in principle to fund a scheme or project and made an offer, but where at the date of the statement of financial position either contracts have not been signed and/or the conditions precedent not met. Therefore these transactions are recognised as liabilities in the statement of financial position as provisions rather than payables. Provisions are released in the following accounting periods as the offers of funding are contractually agreed and the associated conditions met.

The year end provision relates to awards made by the BFI across a number of strands:

	At 31 March 2018 £'000	At 31 March 2017 £'000
Film Heritage Fund	4,258	-
Audience Fund	2,334	-
Film Audience Network	605	1,595
International	540	510
Clusters Fund	100	100
Film Academies	96	38
Film Education Awards	-	4,800
Film Skills Fund	-	2,068
Creative England	-	1,687
Film Festivals	-	350
Neighbourhood	-	165
Research Fund	-	100
	7,933	11,413

A provision written back arises when the conditions of the terms of the award are not met prior to signature of contract.

Rewarding Success provision

The rewarding success initiative allows for a share of film recoupment income arising from lottery awards to be made available to UK Producers, Writers and Directors for their future film making activity. The funds held on behalf of film-makers ("the locked box") represents the monies held for this initiative at the balance sheet date and not yet drawn down.

Ageing of provisions, estimated date of payment

	At 31 March 2018 £'000	At 31 March 2017 £'000
Amounts anticipated as payable within one year	10,582	13,202

At the date of the statement of financial position the BFI Lottery activities had no further provisions (2017: £nil).

16. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2018, the BFI had total minimum payments under a non-cancellable operating leases relating to the BFI offices in London, as set out below.

	At 31 March 2018 £'000	At 31 March 2017 £'000
Amounts payable within one year	1,250	1,250
Amounts payable within two to five years	5,000	3,750
Amounts payable over five years	10,000	-
	16,250	5,000

The proportion of these costs relating to these leases that form part of the costs apportioned to Lottery are:

	At 31 March 2018 £'000	At 31 March 2017 £'000
Amounts payable within one year	263	288
Amounts payable within two to five years	1,050	862
Amounts payable over five years	2,100	-
	3,413	1,150

The lease was extended in the year to run until March 2031

Notes to the Financial Statements

Year Ended 31 March 2018

17. CAPITAL COMMITMENTS

As at 31 March 2018, the BFI had no capital commitments outstanding related to Lottery distribution activities, therefore no costs are attributable to Lottery at the date of the statement of financial position (2017: £nil).

18. OTHER FINANCIAL COMMITMENTS

Financial Commitments

At the date of the statement of financial position there were financial commitments representing film rights investments made by the BFI where the investment decisions had been taken by the BFI and notified to the applicants but either the contracts had not been signed and/or the conditions precedent not met. Therefore work had not commenced on the assets in which the BFI is investing, so neither the asset nor the matching liability are represented in the statement of financial position at that date.

	At 31 March 2018 £'000	At 31 March 2017 £'000
<i>Prior year awards</i>		
Targetted development awards	-	300
Vision Fund Awards	-	50
Development awards	25	35
Production awards	291	-
<i>In year awards</i>		
Production awards	7,177	2,575
Targetted Development Programme	-	650
Distribution awards	292	531
Development awards	596	298
Vision awards	-	50
Network Awards	10	-
Financial commitments notified but not yet recognised in the financial statements	8,391	4,489

19. CONTINGENT ASSETS

The National Lottery Distributors are entitled to receive a share of the receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675 million to the funding of the London 2012 Olympic and Paralympic Games. This was announced in 2007. The arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority dated 29 March 2012 which sets out the distribution of funds between the GLA and the lottery distributors (via DCMS). Land sales are likely to take place over a lengthy period, estimated to be from 2018-19 to 2036-37 and DCMS estimates the first payments to the Lottery Distributors to come through around 2020-21.

BFI will be entitled to receive a portion of the receipts from the sale in line with the 2.705% of the funds available to the good causes that the BFI receives as a lottery distributor.

Due to the inherent uncertainties over such a time period it is not possible to yet quantify the value of such land sales. However assuming that the selling price is at least the amount of the distributors investment, the BFI could expect to receive in excess of £18m.

20. LOSSES AND SPECIAL PAYMENTS

Screen East, the regional screen agency under the RIFE programme, went into liquidation in September 2010. The agency had received grant and Lottery awards from the UKFC. A protective claim of £1,046,686 was lodged with the liquidator in order to ensure that Lottery funds were only applied for the intended purpose. This claim was transferred to the BFI on 1 April 2011 and disclosed in all subsequent BFI financial statements. The liquidator paid the funds due to delegated lottery awards and any remaining funds repaid to the BFI with no losses incurred. The liquidation process concluded and the company dissolved in October 2017.

Notes to the Financial Statements

Year Ended 31 March 2018

21. RELATED PARTIES

The BFI maintains a publicly available register of Governors' interests. Given their broad experience across the film sector, it is inevitable that Governors have connections with or interests in projects and organisations that may from time to time have come to the BFI for funding. All Governors are therefore required to declare any direct interest in and commercial relationships with award applications made to the BFI and that they had no role in the award-making process. Similarly, BFI employees were excluded from the decision-making around any relevant application involving any organisation or company in which they have a declared interest.

Governors receive no payment for their services and all payments to key management personnel have been disclosed in the Remuneration Report.

During the year the BFI entered into transactions, in the ordinary course of business, with related parties. National Lottery awards are included in film rights at the date of the statement of financial position or written off to expenditure within the year.

All awards outstanding are payable upon the meeting of conditions precedent within individual contracts.

The following related party transactions occurred during the period:

Recipient of funding	Name	Role with BFI	Relationship to recipient of funding	New awards made year ended 31.3.2018 £	Balance as at 31.3.2018 £
BFI - London Film Festival	Amanda Nevill	CEO	CEO	750,000	-
BFI - Heritage 2022	Amanda Nevill	CEO	CEO	4,143,382	4,143,382
Big Talk Pictures Ltd	Matthew Justice	Governor	Director	44,500	44,500
Blueprint Pictures Ltd	Peter Czernin	Governor	Director	7,985	-

A number of BFI Governors and Staff are members of BAFTA, but with no formal management or governance role there-in. BAFTA received two lottery awards in the year ending 31 March 2018 totalling £47,200 of which a balance of £39,200 remained payable at that date.

The BFI is a non-departmental public body sponsored by the Department for Digital, Culture, Media and Sport (DCMS). DCMS is regarded as a related party and during the year the BFI, as a Lottery distributor, had material transactions with DCMS.

Awards made under the National Lottery etc Act Section 27 dispensation

Using the power granted by the Section 27 of the National Lottery etc Act 1993 the Secretary of State did not object to an award of £4,143,382 to the BFI in relation to Heritage 2022, the BFI's archive strategy as outlined in the BFI 2022 strategic plan, for both the national and regional moving image archives. The award was made in February 2018, under BFI accounting policies this is recorded as a provision in 2017-18 and at 31 March 2018 the £4.14m remained payable.

Similarly the Secretary of State did not object to an award of £750,000 to the BFI in relation to the London Film Festival. The award was both made and fully paid within the financial year.

The final payment due under the Section 27 Unlocking Film Heritage Award made in 2012-13 was released in the year.

22. EVENTS AFTER THE REPORTING PERIOD

With the transition into our new 5 year plan, BFI 2022, and the new funding structures therein around Talent Development, £0.4m of open award liabilities, with the matching cash, transferred to BFI Lottery on 1 April 2018 from Creative England.

At the time of signing the accounts there were no events after the reporting period, either adjusting or non-adjusting which require disclosure in the financial statements. The accounts were authorised for issue on the date the Comptroller and Auditor General signed the auditor's **certificate and** report.

SCHEDULE 1: NEW LOTTERY COMMITMENTS (UNAUDITED INFORMATION) IN THE YEAR ENDED 31 MARCH 2018

All awards and delegations approved by the Lottery Finance Committee in the year to 31 March 2018 are listed below. In the financial statements these are represented as Non film right awards on the Statement of Comprehensive Net Expenditure (£27.5m). £12.3m was taken to the statement of financial position and subsequently impaired with the remainder (£8.4m) disclosed within Other Financial Commitments in the notes to the accounts.

Producer	Project	£
65 Wilding Films Ltd	Claude (working title)	20,750
Alcove Entertainment Limited	A Gaza Weekend	28,500
Archface Films Limited	Tell It To The Bees	51,200
Art Sex Music Film Limited	art sex music	28,500
Bard Entertainments Ltd	Born To Run	40,000
Big Talk Productions Limited	Hip Hop Cop	44,500
Bob & Co Ltd.	Handsome Brute	17,000
Bridge Way Limited	90 Minutes	14,000
Calamity Films Limited	Applecross	25,000
Camberwell Productions Limited	Rainy Day Women	17,500
Camberwell Productions Limited	Staying On	13,000
Cannon and Morley Productions Limited	Out of Blue [FKA Night Train]	39,216
Century Films Limited	Curfew	36,000
Cineman Films Lts	Sister Genevieve	4,500
CrossDay Productions Limited	The Vanishing Act of Esme Lennox	23,500
Dark Pictures Limited	Free	10,200
DJ Films LTD	The Marina	34,500
Emu Films Limited	Sapphire	13,000
Emu Films Limited	The Good Old Battle	29,500
Emu Films Limited	The Show	34,500
Emu Films Limited	Jade	47,500
Endor Productions Limited	The Dark Outside	35,000
Endor Productions Limited	Falling for Icarus	32,000
Fable Pictures Limited	Country Music	70,000
Fable Pictures Limited	E15	23,250
Fable Pictures Limited	Girl Untitled	62,550
Fields Park Limited and Blue Bear Film and Television Ltd	The Life of Rebecca Jones	35,000
Fly Film Company Limited	The Lighthouse	8,000
Fly Film Company Limited	Lollipop	29,500
Gingerbread Pictures Ltd	The Raging Quiet	20,000
Good Boy Developments Limited	The Boy Who Harnessed The Wind	35,000
GreenAcre Films Limited	Relax	1,500
Hot Property Films Limited	Fight	1,950
Jak Films Limited	Amanda Boyle Untitled Aging Film	1,000
Joi Productions Limited	Bone	20,870
Julian Corkle Limited	Julian Corkle is a Filthy Liar	25,750
JWH Films Limited	The Souvenir	35,000
Kennedy Mellor Ltd	The Lonely Londoners	5,000
Life To Live Films Ltd	The Girl from the Estuary	2,500
Little Brother Productions Limited	Paper Canoe	8,500
M.I.H.K. Limited	Stopmotion	47,952
Martyr's Lane Ltd	Martyrs' Lane	40,000
Me and You Productions Limited	Leigh, Sue and Lucian	45,218
Moonspun Films Ltd	Monsoon	35,000
MR.B Films Ltd	The Holy Holy Bus	22,500
Normal People Ltd	Normal People	35,000
Old Street Films Limited	Exterminate All The Brutes	36,250
Oxymoron Films Limited	Another Day in Baghdad	17,800
Parkville Pictures Limited	Army Of You And Me [FKA Untitled Alex Taylor Project]	20,000
Passion Pictures (Films) Ltd	Monsoon	29,400
Perp & Co Ltd	Untitled Chris Morris Project	55,582
Poisson Rouge Pictures Limited	Handover (aka Klepto)	13,500
Prodigal Film & Television Limited	The Last Tree	8,400
Pulse Films Limited	The Halfway	9,500
Quinn Trip Productions Ltd	Low Rider	9,720
Rather Good Films Ltd	The Science Of Love And Laughter	18,500
Red Union Films Limited	The Lemon Grove	18,500
Rialto Production Limited	Rialto	35,000
Rook Films Ltd	In Fabric	35,000
Rooks Nest Entertainment Limited	The Spark	1,750
Sarah Brocklehurst Productions Ltd	Glamrou	28,000
Scott Free Films Limited	Agnes	23,000
See-Saw Productions Limited	Hyper	11,225
See-Saw Productions Limited	Mary Anning	42,500
Shine Pictures (UK) Limited	Monster Men (FKA Of Monsters and Men)	12,500
Slingshot Productions Limited	Londonstani	35,000
Stigma Films Ltd	The Power	8,000
SUMS Film and Media Ltd.	Phone Book	28,200
Tempesta Film UK / Cowboy Films	Wildfire	3,000

**SCHEDULE 1: NEW LOTTERY COMMITMENTS (UNAUDITED INFORMATION)
IN THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

Producer	Project	£
Tempesta Film UK Limited	Wildfire	16,500
The Bureau Film Company Limited	After Love	10,000
The Bureau Film Company Limited	The Break	5,200
The Fyzz Facility Pictures Ltd	Cometh the Fiend	36,500
The Ideas Room Ltd	The Reason I Jump	6,000
TS Films Limited	The Humans	6,250
Unanimous Entertainment Ltd	The Girl with a Clock for a Heart	5,000
Unanimous Entertainment Ltd	Turning Leaves	11,500
Unstoppable Entertainment Limited	Untitled Noel Clarke	28,500
Vennerfilm Ltd	Underdogs	35,000
Vox Pictures Limited	Caravan	14,200
Warp Films Limited	The Red Men	4,000
Warp Films Limited	The Waste Tide	28,500
Development and Pre-Production Awards		1,957,883
10ft Films Ltd	Never Dull In Hull (aka Up North)	244,000
Archface Films Limited	Tell It To The Bees	958,300
Aviemore Films Ltd	Evelyn	88,000
Barry Crerar Ltd	Born To Run (working title)	715,747
Boy Who Limited	The Boy Who Harnessed the Wind (aka The Hungry Season)	1,220,000
Cannon and Morley Productions Limited	Out of Blue	1,220,000
Cliff Edge Pictures Limited	Eternal Beauty (aka In My Oils)	50,000
Creative England	Creative England 2017/18 iFeatures 4 Production	478,650
Crossover Labs Ltd	Queerama	120,000
Darkness Visible Films Limited	Darkness Visible	39,328
Delaval Film Ltd	House of Raging Hormones (aka Plan B)	110,000
Doc Society	Documentary Fund	1,500,000
Emu Films Limited	Jade	500,000
Endor Productions Limited and Rise Films Limited	The Dark Outside	695,791
Eternal Beauty Productions Limited	Eternal Beauty (aka In My Oils)	732,500
February Sixteen Films Ltd	Underdogs	707,000
Fyzz Facility Pictures Limited	Possum	7,000
GiD Films Ltd	Scheme Birds	50,000
Hopscotch Films Limited	Arcadia (working title)	117,000
Human Film LTD.	The Journey	97,150
Irene's Ghost Ltd	Irene's Ghost	54,790
JWH Films Limited	The Souvenir	1,020,000
Luff Linn Holdings Ltd	An Evening With Beverly Luff Linn	14,987
Monsoon Film 2018 Limited	Monsoon	800,000
Normal People Ltd	Normal People	900,000
Not a Witch Ltd	I am Not a Witch	50,000
Pulse Films Limited	XY Chelsea	20,000
Ray & Liz Production Ltd	Ray & Liz	17,500
Rook Films Fabric Limited	In Fabric	770,000
Rosetta Productions Beats Ltd	Beats	650,000
Rubber Stamp Films Ltd.	My Husband the Cyborg (aka Uncommon Sense)	40,000
See-Saw Productions Limited	Untitled Chris Morris Project	1,500,000
Sisters with Transistors Limited	Sisters With Transistors	40,260
Tempesta Films / Cowboy Films	Wildfire	572,000
The Apocalypse Films Company Limited	High Life	350,000
The Bureau Film Company Limited	Rialto (fka Trade)	545,455
The Ideas Room Ltd	The Reason I Jump	265,000
Three Chords Production Limited	Country Music	1,400,000
Vague Films Ltd	Untitled CMP	100,000
Violet Films Limited	Evelyn	62,000
Where Hands Touch Ltd	Where Hands Touch	44,333
Production Awards		18,866,791
Brett Webb	White Girl	10,000
British Independent Film Awards	BIFA Short Film Talent Industry Support	17,500
Creative Scotland	Scottish Film Talent Network 2018/19	200,000
Ffilm Cymru Wales C.B.C	Ffilm Cymru Wales - NETWORK Wales 18/19	200,000
Film London	BFI NETWORK England - London - 18/19	60,000
Film London	London Calling 2017	149,777
Film London	Mari	75,000
Film London	The Visitor	25,000
Film London	Zero	25,000
Independent Cinema Office	BFI NETWORK England - South East - 18/19	60,000
Northern Ireland Screen	Northern Ireland Screen - NETWORK 2018/19	150,000
Nottingham Media Centre Limited	BFI NETWORK England - Midlands - 18/19	60,000

**SCHEDULE 1: NEW LOTTERY COMMITMENTS (UNAUDITED INFORMATION)
IN THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

Producer	Project	£
The British Academy of Film and Television Arts	BAFTA - BFI NETWORK@Flare Mentorships 2018	9,400
The British Academy of Film and Television Arts	BFI NETWORK x BAFTA Crew 2018/19	37,800
The Sheffield Media and Exhibition Centre Limited	BFI NETWORK England – North - 18/19	120,000
The Watershed Arts Trust Limited	BFI NETWORK England – South West - 18/19	60,000
Various	NETWORK at LFF and NETWORK Weekender events	70,000
Various	NETWORK Website	75,452
Targeted Development and Talent Network Fund		1,404,929
Altitude Film Distribution Limited	Beast	150,000
Altitude Film Distribution Limited	Daphne	45,000
Altitude Film Distribution Limited	Human Flow	100,000
Altitude Film Distribution Limited	Loveless	75,000
Altitude Film Distribution Limited	The Florida Project	150,000
Arrow Film Distributors Limited	Blade of the Immortal	100,000
Arrow Film Distributors Limited	Dark River	85,000
Bulldog Film Distribution Limited	Brakes	28,000
Curzon Film World	120 BPM	73,834
Curzon Film World Limited	A Fantastic Woman	75,000
Curzon Film World Limited	I Am Not a Witch	35,000
Dogwoof Ltd	Bombshell: The Hedy Lamarr Story	67,000
Dogwoof Ltd	Whitney "Can I Be Me"	150,037
Entertainment One UK Limited	Funny Cow	68,000
Peccadillo Pictures Limited	I Got Life! (Aurore)	79,751
Peccadillo Pictures Limited	The Levelling	28,000
Picturehouse Entertainment Limited	God's Own Country	74,750
Thunderbird Releasing Limited	My Life as a Courgette	100,000
Thunderbird Releasing Limited	Sweet Country	157,500
Together Films Limited	Unrest	25,000
Trafalgar Releasing Limited	Grace Jones: Bloodlight and Bami	100,000
Trinity Filmed Entertainment UK Ltd	Spaceship	25,500
Vertigo Releasing Limited	Menashe	41,100
Audience Fund: Distribution Awards		1,833,472
Aberystwyth University	Abertoir International Horror Festival	5,000
Aesthetica Magazine Limited	Aesthetica Short Film Festival	20,000
Afrika Eye Community Interest Company	Afrika Eye Film Festival	8,000
Arts Alive In Shropshire And Herefordshire	Flicks in the Sticks	39,500
AV Festival	AV Festival 2018: Film Programme	19,750
Bath Film Festival Limited	Bath Film Festival 2017	8,000
Berwick Film and Media Arts Festival	Berwick Film & Media Arts Festival (BFMAF) 2017	25,000
Birds Eye View	BIRDS EYE VIEW Pilot Audience & Influencer Project	86,514
Borderlines Film Festival C.I.C.	Borderlines Film Festival 2018	35,000
Cambridge Film Trust	Cambridge Film Festival 2017	22,500
Carousel Project	Oska Bright Film Festival	164,830
Cellar Door Promotions Limited	Bollywood Fever 2017	55,000
Chapter (Cardiff) Ltd	Anim18: A Year of British Animation	150,367
Chapter (Cardiff) Ltd	Chapter 50	56,846
Chichester Cinema at New Park Limited	The 26th Chichester international Film Festival	8,000
De Montfort University	British Silent Film Festival	12,000
Derby QUAD Limited	Derby QUAD Organisational Development	50,000
Doc'n Roll Films Ltd.	UK Tour - Doc'n Roll Film Festival	25,000
East End Film Festival CIC	East End Film Festival 2017	15,000
Encounters Festivals Ltd	Encounters Festival	85,000
Falkirk Community Trust Limited	Hippodrome Silent Film Festival 2018	8,250
Flatpack Projects (CIO)	Flatpack Film Festival 2018	40,000
French Film Festival Limited	French Film Festival UK touring expansion	10,000
Glasgow Film Theatre	Glasgow Film Festival	180,000
Greater Manchester Arts Centre Limited	Danger, Deception and Deceit: the European Political Thriller in the 1970s	53,535
Greater Manchester Arts Centre Limited	HOME Organisational award	184,900
Greater Manchester Arts Centre Limited	VIVA Spanish & Latin American Festival 2018	12,000
Independent Cinema Office	BFI Thrill on Tour	29,415
Independent Cinema Office	India on Film - touring programme	27,139
Independent Cinema Office	National strategic activities to support the UK's independent cinema exhibition sector	578,106
International Documentary Festival Sheffield Limited	Sheffield Doc/Fest	250,000
Leeds City Council	19th Leeds Young Film Festival	35,000
Leeds City Council	31st Leeds International Film Festival	38,000
Leeds City Council	Leeds Film	130,000
Leicester Arts Centre Limited	Phoenix Organisational award	140,000
Live & Local Ltd.	Big Picture Show - Horizons	22,646
LONDON EAST ASIA FILM FESTIVAL LTD	London East Asia Film Festival	20,000

**SCHEDULE 1: NEW LOTTERY COMMITMENTS (UNAUDITED INFORMATION)
IN THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

Producer	Project	£
London Indian Film Festival Limited	London Indian Film Festival 2017	20,000
London Short Film Festival Ltd	London Short Film Festival 2017-2018	18,000
Manchester Animation Festival Ltd	Manchester Animation Festival	25,000
Moviola Limited	Communication and Diversity	100,650
Nottingham Media Centre Limited	Broadway Organisational Award 2018	150,000
Nottingham Media Centre Limited	Business Continuity	75,000
Purbeck Film Charitable Trust	Purbeck Film Festival 2017	7,000
Slapstick Festival Limited	Slapstick Festival 2018	22,500
The British Federation of Film Societies	Cinema For All: bringing film to communities, building community through film	160,623
The Festivals Company Limited	Iris Prize 2017	24,000
The Leeds Grand Theatre and Opera House Limited	The Picture House Project	12,500
The Royal African Society	Film Africa 2017	14,000
The Sensoria Festival	Sensoria X - 10th edition	20,000
The Sheffield Media and Exhibition Centre Limited	Showroom Cinema	225,000
The Watershed Arts Trust Limited	Watershed Audience Activity (Sept 17 - March 18)	62,500
The Watershed Arts Trust Limited	Watershed Cinema 2018-21: Reimagining Film Exhibition	195,000
Tongues On Fire Limited	The UK Asian Film Festival 2018	30,000
Tyneside Cinema	Tyneside Cinema Audience Fund	182,000
UK Jewish Film Ltd	UK International Jewish Film Festival 2017	16,000
University of Brighton (Film Department/ Screen Archive South East)	15th CINECITY Brighton Film Festival	25,000
WOW Wales One World Film Festival Ltd	WOW Film Festival	14,950
Audience Fund - Other Awards		4,050,021
Chapter (Cardiff) Limited	BFI Film Audience Network	316,250.00
Film London	BFI Film Audience Network	301,250.00
Glasgow Film Theatre	BFI Film Audience Network	432,000.00
Independent Cinema Office	BFI Film Audience Network	683,918.00
Nottingham Media Centre Limited	BFI Film Audience Network	899,000.00
Queen's University Belfast	BFI Film Audience Network	276,250.00
The British Federation of Film Societies	BFI Film Audience Network	59,143.00
The Sheffield Media and Exhibition Centre Limited	BFI Film Audience Network	744,000.00
The Watershed Arts Trust Limited	BFI Film Audience Network	455,000.00
YourLocalCinema Ltd	BFI Film Audience Network	14,000.00
Audience Fund - Film Audience Network		4,180,811
Alliance Media Partners International Ltd	Wild Honey Pie!	11,315
Autlook Film Sales GmbH	Time Trial	5,373
Autlook Filmsales GmbH	Sea Sorrow	7,677
British Council	Short Film Travel Grant Fund	25,000
Cornerstone Films Ltd	Apostasy	6,370
Dogwoof Ltd	Westwood	11,283
Dubai Entertainment & Media Organisation FZ LLC	Dubai International Film Festival	14,397
Embankment Films Limited	The Wife	15,000
Film Export UK Limited	2018 UK Film Centres	202,500
Film Export UK Ltd	17AFM UK Film Centre	40,000
Film London	British Film Commission (BFC) 18/19	450,000
Film London	London Screenings 2017: Film London	90,000
Film London	London Screenings 2018	90,000
Film London	Production Finance Market (PFM)	15,000
HanWay Films Limited	Mary Shelley	15,000
Independent Film Sales Limited	The Escape	6,778
Kinology SAS	I Am Not A Witch	13,734
Le Petit Bureau S.A.	Lean On Pete	19,671
Metro International Entertainment Limited	Journey's End	11,400
Piece of Cardboard Productions Its	Being Frank: The Chris Sievey Story	5,517
Protagonist Pictures Limited	An Evening with Beverley Luff Linn	15,000
Protagonist Pictures Limited	Beast	5,355
Protagonist Pictures Limited	Dark River	7,324
Rocket Science Industries Limited	On Chesil Beach	13,980
Various	Uk Delegation to Beijing Film Festival 2018	90,000
Various	UK Delegation to Beijing, July 2017	100,000
Various	UK Film Centre for Cannes 2018	440,000
Ville de Dinard - Festival du Film Britannique	Festival du Film Britannique de Dinard	22,000
WestEnd Films Limited	Grace Jones: Bloodlight and Bami	15,000
International and Film Export Fund Awards		1,764,674

**SCHEDULE 1: NEW LOTTERY COMMITMENTS (UNAUDITED INFORMATION)
IN THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

Producer	Project	£
Creative England	Creative Enterprise develpt	695,000
Creative Enterprise Fund		695,000
Various	RSU Data and services purchase 2017-18	322,207
Research and Stats		322,207
Calling The Shots (Films) Ltd	BFI Film Academy	37,500
Cinemagic Limited	BFI Film Academy	16,000
CTVC Limited	BFI Film Academy	92,000
Dundee Contemporary Arts Limited	BFI Film Academy	13,325
Ffresh Limited	BFI Film Academy	32,000
Glasgow Media Access Centre Limited	BFI Film Academy	16,000
MediaActive Projects C.I.C.	BFI Film Academy	5,000
Nottingham Media Centre Limited	BFI Film Academy	4,998
Reel Solutions (film) LLP	BFI Film Academy	28,000
Resource Productions Ltd	BFI Film Academy	4,250
Screen Education Edinburgh	BFI Film Academy	70,834
Signal Film & Media Limited	BFI Film Academy	3,026
Station House Media Unit	BFI Film Academy	16,000
TAPE Community Music and Film	BFI Film Academy	14,755
The Film and Video Workshop	BFI Film Academy	59,938
The Nerve Centre	BFI Film Academy	47,700
The Sheffield Media and Exhibition Centre Limited	BFI Film Academy	45,000
The Watershed Arts Trust Limited	BFI Film Academy	5,000
Tyneside Cinema	BFI Film Academy	37,500
Young Film Academy	BFI Film Academy	2,724
Film Academies		551,550
The British Film Institute	BFI London Film Festival	750,000
London Film Festival award		750,000
British Film Institute	Heritage 2022	4,143,382
Film London (London's Screen Archives)	Digitisation Fund	47,508
Hampshire County Council on behalf of Wessex Film Archives	Regional Film Archive Investment Fund	10,000
Manchester Metropolitan University	Digitisation Fund	17,116
Manchester Metropolitan University	Regional Film Archive Investment Fund	15,000
Media Archive for Central England Limited	Digitisation Fund	49,395
Media Archive for Central England Limited	Regional Film Archive Investment Fund	62,000
National Library of Wales	Digitisation Fund	30,122
South West Film & Television Holdings Ltd	Digitisation Fund	49,917
South West Film & Television Holdings Ltd	Regional Film Archive Investment Fund	40,000
University of Brighton	Regional Film Archive Investment Fund	15,000
University of Brighton	Digitisation Fund	46,520
University of East Anglia	Digitisation Fund	49,933
University of East Anglia	Regional Film Archive Investment Fund	15,000
Yorkshire Film Archive	Digitisation Fund	71,107
Yorkshire Film Archive	Regional Film Archive Investment Fund	83,000
Heritage 2022 Fund		4,745,000
Carbonado Industries (UK) Ltd	Future Skills Programme	399,930
Creative Skillset - Sector Skills Council Limited	Future Film Skills Programme	6,671,500
Skills Fund awards		7,071,430
		48,193,768

SCHEDULE 2: NEW LOTTERY COMMITMENTS MADE BY DELEGATE BODIES (UNAUDITED INFORMATION) IN THE YEAR ENDED 31 MARCH 2018

In March 2017 Creative England were delegated £1.7m of lottery funds for 2017-18 and Creative Skillset £2.1m. The awards made to third party organisations by these delegate bodies in the year ending 31 March 2018 are listed below.

Award Recipient	Project	£
Creative England		
Wellington Films Ltd	There is Light	16,000
Tom Wood	Creative Producer Award	2,000
Third Films Ltd	Roofrapper	30,000
The Bureau Film Company	Dumbarton Road	19,500
Teng Teng Films Ltd	Pretty Red Dress	17,000
SulkyBunny Ltd	Caring Sharing	15,000
Streetcar Productions	4REAL	8,000
Stray Bear Productions Ltd	Shepherd	11,000
Stray Bear Productions	The Dynamite Room	10,000
Sona Films Ltd	Beasts	4,080
Silver Salt Films Ltd	Censor	20,000
Shudder Films	God's Own County	500
Sarah Brocklehurst Productions Ltd	Holy Cannelloni	31,500
Rook Films Ltd	Frozen Assets	10,000
MSE Media Ltd	Night Run	9,500
Moxie Pictures	BOY	11,150
Mint Pictures Ltd	Duffy	15,750
Meneka Das	Summerhill	11,000
Manon Ardisson	Creative Producer Award	2,000
Little House Productions	Lion And Panther	18,750
Life-Size Films Ltd	The Full Story	8,900
Jeva Films Limited	I'll See Myself Out	5,500
Jennifer Monks	Creative Producer Award	2,000
Interactive Imagination Limitd	Hertfordshire ProConnect	5,000
Inflammable Films	Devil's River	6,750
iFeatures Limited	Ifeatures 4 Production Costs	478,650
iFeatures Limited	Ifeatures 5 - Development Lab	500,000
Headline Pictures	Mr Tumble: The Movie	60,000
Haus Pictures	Gary Paton Creative Prodcuer Award	2,000
Haus Pictures	When The Night Comes	18,000
Griffin Pictures Ltd	The Tunnel	30,000
Gingerbread Pictures Ltd	Tuesday	20,000
Fume Films Ltd	The Stomach	13,500
Forge Films Ltd	In Our Blood	14,500
Finite Productions	Benedict Turnbull Creative Producer Award	2,000
EMU Films Ltd	Starting The End	16,000
Elation Pictures Ltd	Woe is Me	50,000
Diarmuid Hughes	War Paint	36,706
Delaval Films	Beautiful Ones	1,500
Deborah Aston	Creative Producer Award	2,000
Dana Bruce	Creative Producer Award	2,000
Creative England Direct Lottery Award	Talent Centres 2017-18 Programme Expenditure	29,935
Chiara Ventura	Creative Producer Award	2,000
Candle & Bell Limited	Maria Caruana Galizia Creative Producer Award	2,000
Candle & Bell Limited	STINE	30,000
Candle & Bell Limited	Strange Cities Are Familiar	30,000
Calibre Films Ltd	Calibre	1,500
Briony Redman	Pressing Matters	9,500
Blue Neil Ltd	Things We Never Said	11,000
Artemisia Films Ltd	Attrition	5,000
Alexander Personal Management	Hertfordshire ProConnect	5,000
Alex Thiele	Creative Producer Award	2,000
	Total Creative England Awards 2017-18	1,665,671

**SCHEDULE 2: NEW LOTTERY COMMITMENTS MADE BY DELEGATE BODIES (UNAUDITED INFORMATION)
IN THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

Award Recipient	Project	£
Creative Skillset		
104 films (Film nation) Ltd	Deaf Film Director Development Programme	15,000
104 films (Film nation) Ltd	Neurotribes	20,000
104 films (Film nation) Ltd	New & Emerging Disabled Film Talent Workshop Programme - Year 3	12,814
Ashridge Executive Education	Executive MBA for the Creative Industries	19,500
Atlas Films	Action Film Training: Introduction to Documentary Filmmaking	20,000
B3 Media	TalentLab	30,000
BECTU a sector of Prospect	Hit the Ground Running: Diversity Development	28,000
Birds Eye View Ltd	Filmonomics	28,515
Centre for the Moving Image	Shorts to Features Training	28,000
Cinemagic	Cinemagic Short Film Academy 2017	40,000
Clear Enterprises Consulting Ltd	The Film Crew	65,000
Creative Alliance + Producers Forum	Foot In The Door to Film & TV #2	33,000
Creative England	iFeatures5	60,000
Encounters Festivals Ltd	Widening the Lens -- Shorts 2 Features	18,000
Ffilm Cymru Wales CBC	Foot in the Door	25,000
Film Design International Ltd	Art Direction for Film & Television	35,000
Film Distributors' Association	Management Skills for Distribution Modular Training Programme 2017	14,000
Film Distributors' Association	New Entrant Diversity Development	76,000
Film London	London Calling 2017-2018	33,251
Film London	Micro Market 2017	28,000
Film London	New Approaches 3	20,000
Guild of British Camera Technicians (GBCT)	Loading for Film	30,650
Guild of British Camera Technicians (GBCT)	Steadicam Operator's Training	26,300
Independent Cinema Office	Data Driven Marketing	22,487
Independent Cinema Office	Elevate: Introduction to Leadership	26,981
Independent Cinema Office	Film Exhibition, Distribution and Sales (FEDS) - Exhibition trainee scheme	80,532
Lighthouse Arts & Training	Guiding Lights - Feature Focus	40,000
National Film & Television School	Film Academies Course Enhancement and Outreach 2017	562,000
National Film & Television School - Short Courses	Inside Pictures	60,000
New Cross + Deptford Free Film Festival	Screen/Play: the Theory and Practice of Film Programming	10,000
Northern Film & Media	NFM Academy Plus 2017-2018	14,000
Raising Films	Making it Possible 2017	8,104
Screen Yorkshire	Yorkshire Skills Up	90,000
Sheffield International Documentary Festival Ltd.	Future Producer School 2018	26,000
Signature Pictures Limited	Signature Pictures - The Signature Short 2017	35,000
Talking Point Film and Television Ltd	Production Buyer Training	11,885
	Total Creative Skillset awards 2017-18	1,693,019
	Total awards by delegate bodies 2017-18	3,358,690

Statutory Background

STATEMENT OF COMPLIANCE WITH THE GOVERNMENT'S LOTTERY POLICY AND FINANCIAL DIRECTIONS

Financial directions

Under the National Lottery etc. Act 1993, the Secretary of State issued financial directions to the British Film Institute (the BFI). These are as follows:

The BFI shall comply with the requirements contained within the Statement of Financial Requirements, which have the status of directions under section 26 of the National Lottery etc. Act 1993, ("the Act") as amended by the National Lottery Act 1998 ("the 1998 Act").

The BFI has implemented procedures to ensure the provisions of the Statement of Financial Requirements are followed and the BFI confirms that, to the best of its knowledge, it complied fully with the financial requirements in 2017-18.

The BFI shall devise and abide by a procedure for handling potential conflicts of interest which may arise in the evaluation of applications by BFI or individual members of the BFI. This procedure together with a statement confirming the arrangements that have been applied, should be provided to the Secretary of State for Digital, Culture, Media and Sport before the distribution of any funds under section 25 of the Act, and thereafter at the beginning of each financial year.

The BFI has in place procedures for dealing with conflicts of interest and, to the best of its knowledge, it abided by this procedure in 2017-18.

Policy directions

Under the National Lottery etc. Act 1993, the Secretary of State for Digital, Culture, Media and Sport issued policy directions, which the BFI must take into account in distributing National Lottery funds.

A) The need to involve the public and local communities where reasonably practicable, in making policies and setting priorities.

The BFI consulted widely on its five year strategy which commenced on 1 April 2017 which includes a number of new and continuing Lottery funding schemes, through a wide-scale public consultation undertaken in 2016.

B) The need to increase access and participation for those sections of society who do not currently benefit from opportunities available in the United Kingdom.

The BFI aims to ensure that equality and diversity are central to all activities thus allowing sections of society to have access to or benefit from funding, taking into account differences in values, attitudes, cultural perspectives, beliefs, ethnic background, abilities, skills, knowledge, geography, age and life experiences.

In 2017-18 the BFI continued to operate Diversity Standards that were introduced across all the BFI's activities as part of the BFI 2022 Strategy delivery.

C) The need to inspire children and young people, awakening their interest and involvement in the activities covered by the good cause.

The BFI is fully committed to education and learning and strongly believes that film has the power to transform the way people see and understand the world and as such has committed a significant investment into the BFI 5-19 education scheme, which is managed by Into Film.

By the end of 2017-18, the 5-19 education fund had established approximately 9,000 'active' film clubs, with an estimated total engagement of approximately 5 million young people through BFI education activity

D) The need to improve community cohesion and/or social inclusion.

The BFI ensures that the benefits of Lottery funding are spread widely, in both geographical and social terms. Creativity and diversity in the film sector is enriched by encouraging the participation of people from a wide range of communities.

E) The need to encourage new talent, innovation, and excellence and help people to develop new skills.

The BFI provides opportunities for filmmaking talent to flourish. The freshness and relevance of the films produced have been recognised by the international film industry awards they have won. As well as direct support for filmmaking, the BFI invests in training talent, notably the BFI Film Academy, and in partnership with Creative Skillset, the Sector Skills Council for the audio-visual industry, a revised and refreshed funding programme was agreed during the year for training and skills and will be fully delivered from 2018/19 onwards; and in delivering the UK Talent Network – Net.work – across the UK.

F) The need to ensure that money is distributed for projects which promote public value and which are not intended primarily for private gain.

It has always been a primary intention of the National Lottery that it should improve the quality of life for people throughout the UK.

All applicants, including private, voluntary or commercial organisations, have to be able to demonstrate the benefit to the public that would result from their proposed project. The BFI applies a range of criteria in order to ascertain that an appropriate level of public benefit is derived from the project. The criteria include the creative and technical quality of the project and its contribution towards the BFI's strategic objectives.

G) The need to further the objectives of sustainable development.

The BFI provides leadership and practical support for the wider film industry, including leading the UK-wide sustainability Group. Following the launch of the British Standard (BS 8909), specifically for film, sustainability is an intrinsic element to the new five year plan.

Technological development is supported through encouraging the use of digital production techniques and associated processes.

On location filming of any Lottery-funded films, producers are expected to be sensitive to the needs of the environment and the use of natural resources, returning locations back to their original state in environmental terms, after use.

The BFI works with other Lottery Distributors and the Department for Digital, Culture, Media and Sport in developing proposals for sustainable development.

H) The importance of ensuring equality of opportunity and the desirability of reducing economic and social deprivation and of ensuring that all areas of the United Kingdom have access to the money distributed.

All parts of the country have access to BFI Lottery funding through applications for training, development, production, education, distribution, exhibition and unlocking film heritage activity.

Statutory Background

- I) The desirability of the British Film Institute working jointly with other organisations, including other distributors.

The BFI undertakes partnership working with other Lottery distributors, most notably with Arts Council England, the Heritage Lottery Fund and NESTA.

The BFI delegates funding to Creative England in support of its strategic objectives that can be delivered at a local and/or regional level. Creative Skillset and the national screen agencies of Wales – Ffilm Cymru Wales; Northern Ireland – Northern Ireland Screen; and, Scotland – Creative Scotland were other Lottery delegate partners delivering key aspects of our strategy.

- J) The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.

The BFI ensures that the Lottery is credited on all projects in receipt of Lottery funding through the use of the credits on films and branding on other materials.

- K) The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants in particular areas.

The BFI requires all applications to include an element of partnership funding, to demonstrate commitment to the project. The level of partnership funding required depends on each fund and the activity being supported.

- L) The need (a) for money distributed to be distributed to projects only where they are for a specific, time-limited, purpose, (b) to ensure that the BFI has the necessary information and expert advice to make decisions on each application and (c) for applicants to demonstrate the financial viability of projects.

Funding is either provided on a specifically time limited basis or will only benefit individuals while they remain within the definition of a particular programme.

The BFI undertakes an appraisal of each application for funding prior to final decision.

The BFI reserves the right to request that applicants provide any additional information that may be required in order to properly assess such application, in addition to the requirements set out in the application guidelines. It also seeks, where necessary, the confidential, independent and objective views of expert advisers. As a publicly accountable body, the BFI has a duty to ensure that National Lottery funds are properly spent and accounted for, that risk is minimised, and that fraud is avoided.

- M) Where setting up costs are sought, the need for a clear business plan showing how any running and maintenance costs will be met for a reasonable period.

Financial viability is a key factor in the assessment of BFI Lottery applications and is examined using appropriate criteria for all funded applications in the context of assessing the potential risk of each Lottery award. Each potential recipient of Lottery funding has to demonstrate that its finances are secure and, in respect of larger projects, sufficient to ensure project exploitation after the funding period.

- N) The need to ensure that film is central to the lives of UK citizens, and to improve the quality of British film and raise its profile in the marketplace, by:
- i. Expanding education and learning opportunities and boosting audience choice across the UK;
 - ii. Supporting the future success of British film;
 - iii. Unlocking film heritage for everyone in the UK to enjoy.

The allocation of National Lottery funds by the BFI is influenced by the need to strengthen the industry's structure and workforce; to improve the quality and commercial viability of British films; and to support the distribution of specialised film in the analogue and digital environments, helping to ensure UK audiences have access to film in all its variety.

- O) Where awards are made in relation to feature film production or distribution projects the BFI should take into account:
- A clearly identified target audience for their projects
 - The need for recipients of awards for film production to pay the set contribution towards the Skills Investment Fund (SIF)
 - The need for recipients of awards to comply with recognised industry best practice and agreements relating to pay and the employment of trainees
 - The need to conserve and expand the UK's film heritage by requiring the deposit of Lottery funded productions and other selected material in the collections of the British Film Institute or regional archives

- The need for feature film development and production projects to be capable of qualifying as "British films" in accordance with the procedures set out by the DCMS
- The need to improve public access to film through the use of audio-description and/or subtitling for the hard of hearing.

All relevant projects in receipt of this type of funding are required, contractually, to comply with these conditions.

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