

Charity Reference No. 287780

BRITISH FILM INSTITUTE

Report and Financial Statements

31 March 2004

BRITISH FILM INSTITUTE

REPORT AND FINANCIAL STATEMENTS 2004

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OFFICERS AND PROFESSIONAL ADVISERS

GOVERNORS

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

Anthony Minghella CBE (Chair)	
Jenny Abramsky	
John Akomfrah	
Tim Angel	
Ray Deahl	(resigned 29 September 2003)
Tony Elliott	(resigned 29 September 2003)
Eric Fellner	(appointed 30 September 2003)
Lizzie Francke	
Stephen Frears	
Leslie Hardcastle	(appointed 30 September 2003)
Terry Ilott	
Nasreen Munni Kabir	
Ronnie Kells	(resigned 29 September 2003)
David Kustow	
Roger Laughton	
Caroline Michel	(appointed 30 November 2003)
Eric Senat	(resigned 29 September 2003)
Elan Closs Stephens	
Peter Watson	(appointed 31 December 2003)

Governors also served on the following committees during the year:

Audit and Governance	-Jenny Abramsky, Ronnie Kells, Ray Deahl, David Kustow, Roger Laughton
Budget and Performance	-Tony Elliot, Terry Ilott, Eric Senat, David Kustow, Tim Angel
Nominations and Appointments	-Eric Senat, Nasreen Munni Kabir, Stephen Frears, Lizzie Francke, David Kustow, Anthony Minghella, Roger Laughton
Digital	-Ronnie Kells, Tony Elliott, Jenny Abramsky
Property	-David Kustow, Eric Fellner, Roger Laughton
Remuneration	-Eric Senat, Ronnie Kells
Archive and Access	-Ray Deahl, Eric Senat
Exhibition	-Terry Ilott
Education	-Elan Closs Stephens
Diversity	-Nasreen Munni Kabir, David Kustow

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OFFICERS AND PROFESSIONAL ADVISERS (continued)

DIRECTOR OF THE BRITISH FILM INSTITUTE

Amanda Nevill (appointed 1 June 2003)

ACTING DIRECTOR OF THE BRITISH FILM INSTITUTE

Adrian Wootton (resigned 23 May 2003)

REGISTERED OFFICE

21 Stephen Street, London W1T 1LN

SOLICITORS

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

BANKERS

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

PROPERTY ADVISERS

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

INTERNAL AUDITORS

AHL Limited, Premier House, 112 Station Road, Edgeware, Middlesex, HA8 7BJ

AUDITORS

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

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Governors' Report

The Governors, who are also the trustees of the charity, submit their annual report and the audited financial statements for the year ended 31 March 2004. In preparing the annual report and financial statements of the charity, the Governors have adopted the Statement of Recommended Practice, Accounting and Reporting by Charities issued in October 2000 (SORP 2000).

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

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

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

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

Review of Activities

The Statement of Financial Activities for the year is set out on page 16 of the financial statements. A summary of the financial results and the work of the charity are set out below. The *bfi* cannot operate as effectively as it does without the generous support of sponsors, donors, partners, funders and customers. The Governors wish to express their thanks to the principal funders of the *bfi*, especially to the Heritage Lottery Fund, and to the late J Paul Getty KBE, for their support over the last 6 years at the National Film and Television Archive.

Organisation Structure

At the start of the financial year 2003/04, the *bfi* was organised into three divisions: Culture & Education, Planning & Resources, and Development & Communications. The Directors of these divisions answered to the *bfi* Director.

The *bfi*'s Chair, Anthony Minghella, appointed a new *bfi* Director, Amanda Nevill, in June 2003. This coincided with the departure from the *bfi* of the Deputy Director/Director of Culture & Education. The overall structure of the *bfi* remained intact but was now represented by an interim executive of 9 senior managers covering the whole of the *bfi*.

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Governors' Report (continued)

Under the guidance of the Governors, the new Director commenced a fundamental strategic review of the *bfi*. The interim executive was responsible for overseeing the Review process. Further details on the outcome of the Review can be found at page 11.

Towards the end of the financial year 2003/04, a new executive team and organisational structure for the *bfi* was agreed to take the Institute forward. The executive team would now comprise Directors from 8 new divisions, reporting to the *bfi* Director. The divisions will be: Film Centre (incorporating the NFT & IMAX); Festivals; *bfi* Trading (incorporating film sales, Sight & Sound, publishing, DVD/Video sales); UK Wide (incorporating the archive, library, distribution, education and partnerships); Planning & Resources; Finance; Development; and Communications & Marketing.

Income Generation

Total income remained consistent at £30.9m. Grant-in-Aid income from the UK Film Council, at £14.5m, was unchanged from 2003, except that £1.33m of the 2005 grant was paid-over ahead of schedule in 2004 and is shown within deferred income. Commercial and sponsorship income increased from £11.6m to £13.1m. Other grants and lottery awards received in the year decreased from £2.1m to £1.6m, the difference largely being attributable to specific one-off grants from the late J Paul Getty, the New Opportunities Fund and TV Grants in 2002/03. In 2003/04 £0.7m was received to fund recording of TV programmes for the year, and the *bfi* received a £1.3m grant from the Heritage Lottery Fund for the continuation of the restoration project at the Archive.

Fund Raising

Fund-raising costs of £0.3m (2003: £0.3m) represent the cost of running the *bfi* Sponsorship and Development Division in order to raise funds for the *bfi*'s main film festivals, special seasons, events at the NFT, and for specific restoration projects within the National Film and Television Archive (NFTVA).

Resources Expended and Services

Access to Moving Image Materials

Increasing and broadening access to a diversity of film and moving image material, for this and future generations continues to be a priority for the *bfi*. Expenditure in this area was £23.8m (2003: £24.2m).

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

- The National Film Theatre (NFT) achieved its box office target, recording over 219,000 admissions. The NFT hosted a diverse programme over the year which included seasons devoted to the works of Carl Dreyer, Jean-Pierre Melville, Jacques Tati, Lucino Visconti and Richard Attenborough. The NFT also hosted, for the second year, the 4th Disability Film Festival, which achieved just under 1,000 admissions.

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Governors' Report (continued)

- In April 2003 the 17th London Lesbian and Gay Film Festival (LLGFF) screened 195 films. Attendances were the highest ever, up by over 5% on last year's admissions and just short of 25,000. There were 59 sold out performances, and the Festival achieved an overall capacity of 82%. 141 filmmakers, 84 industry delegates and 56 journalists attended the Festival. Online ticketing was offered to customers for the first time this year, which accounted for over 8% of all sales achieved.
- The 18th LLGFF in March/April 2004 screened 222 films. Attendances of 23,000 were down 7% on last year with 57 sold out performances and the Festival achieved an overall capacity of 76%. 100 filmmakers, 133 industry delegates and 101 journalists attended the Festival. Online ticketing increased to account for over 11 % of all sales achieved.
- This year's Times *bfi* 47th London Film Festival (held in November 2003) was the most successful to date. The festival screened 180 feature films and 120 shorts from 45 countries – in over 350 public screenings, including four world premieres, 29 European premieres and 133 UK premieres. There were 123 sold-out public screenings (up from 118 in 2002), and total audiences exceeded 115,000, a 5% increase on last year. The Festival was attended by over 700 industry Delegates and 670 international press delegates from over 40 countries. There was also a successful archive programme strand which included three titles from the *bfi* National Film and Television Archive: *Tillie's Punctured Romance*, *The Queen Of Spades*, and *Summer Madness*.
- DVD/Video sales exceeded its annual target of 128,000 unit sales by 73%. Total unit sales of 221,100 were achieved which represented a 113% increase compared to the previous year's results. Titles released this year included *Greenaway Shorts* (Volumes 1 & 2) *Saturday Night & Sunday Morning* (Reisz GB 1960), *Loneliness of the Long Distance Runner* (Richardson GB 1962), *Bande a Part* (Goddard Fr 1964); *Alice in Wonderland* (Miller GB 1966), *Year of the Sex Olympics* (Elliot/Kneale GB '68), *Ossessione* (Visconti It 1943), *Norman McLaren collectors Edition*, *Un Chant d'amour* (Genet Fr 1950), and *Cathy Come Home* (Loach/Sandford GB 1966). *Kirikou* was also released in the year in both English and French versions to encourage the use of the DVD in language teaching.
- A diverse range of theatrical title releases was delivered in the year achieving 422,000 admissions across the UK. Titles released over the reporting period included *Decasia*, *All Quiet On The Western Front* (1930), *The Day Of Wrath*, *Bigger Than Life* (1956) and *The Leopard* - which played at over 84 different venues, 67 of which were cinemas outside central London.
- The *bfi* was also involved in a number of overseas initiatives which included a major Minnelli retrospective in Spain, screened in Barcelona and Madrid. A diverse range of *bfi* titles were also booked by festivals across the globe including Korea, Hong Kong, Istanbul, Singapore, Sweden, Sydney and Bologna. Overseas film bookings exceeded its annual target of 200,000 admissions by 27%, an overall improvement of 22% compared to the previous year's result.

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Governors' Report (continued)

- *Sight and Sound* maintained its circulation during the year at around 300,000.

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

- The results of the trading subsidiaries are consolidated in the overall results of the *bfi* and are summarised separately in Note 12 of the financial statements. The subsidiary *bfi* (Big Screen) Limited operates the *bfi* London IMAX, which achieved 399,000 admissions (2003: 339,000), and generated a net profit for the Group of £0.19m (2003: loss £0.22m). This was the first year that *bfi* London IMAX recorded a profit. New titles released during the year included the 3D adaptation of James Cameron's *Ghosts of the Abyss*, *Everest* (to support the 50th Anniversary of the first successful ascent) and the *Matrix Reloaded* and *Matrix Revolutions* sequels.

Educating People to appreciate Arts of Film and TV

The *bfi* exists to educate people of all ages to enjoy and appreciate the arts of film and television. The *bfi*'s acquisition of rights to distribute film, restorations of classics held in the NFTVA, screening of films from around the world, publications, DVD's and videos all play an integral part in the furtherance of this objective. A total of £5.1m (2003: £5.6m) was spent on education activities undertaken to help people better appreciate the arts of film and television during the year.

Key highlights to report over the year are as follows:

- 28 new books were published in 2003, achieving 95,000 unit sales. Titles released in the year included books on Luchino Visconti and Jean Pierre Melville to compliment the respective NFT seasons and: *The Hill* and *Beyond Children's Television Drama - An Encyclopedia*; *bfi* Modern Classic: *The Idiot* (John Rockwell); *bfi* Modern Classic: *L.A. Confidential* (Manohla Dargis); *The Place of the Audience: Cultural Geographies of Film Consumption* (Mark Jancovich and Lucy Faire with Sarah Stubbings) and; *Body Trauma TV: The New Hospital Dramas* (Jason Jacobs) to name a few.
- Educational resource publications achieved 9,000 unit sales - an improvement of 105% on the previous year's figures. Titles released in the year included the disability teaching resource pack, *Disabling Imagery*¹, which comprises a 90-minute DVD of short films and film clips that allow disability to be seen from some highly original perspectives. *Into Animation*, an innovative new teaching resource was also launched during the year. The resource, developed in association with the National Museum of Film, Photography and Television, provides a step-by-step guide on how to make animated films in the classroom.

¹ Resource developed in collaboration with Disability Equality in Education

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Governors' Report (continued)

- The *bfi* website continued to expand and attract ever-larger numbers of viewers, achieving over 19 million webpage impressions in the year. This result represents an improvement of 33% compared to the previous year's result.
- Use of the *bfi* National Library online catalogue (OLIB) exceeded expectations, achieving circa 600,000 interactions.
- The *bfi*'s film and literacy resource "Starting Stories" has been adopted and issued to every Local Education Authority Advisory Team in England.
- The *bfi* was a key contributor to the UK Film Council/*bfi*/Channel Four/BBC event entitled *Inform and Empower: Media Literacy in the 21st Century*. The aim of the event was to achieve a consensus around a broader and more inclusive definition of media literacy. The Seminar achieved an unprecedented level of dialogue and goodwill between educators and the media industries, which is being built upon.
- *Screenonline*, the single most extensive publicly available resource devoted to British film and television, was launched in the year. The website resource, which is an educational site endorsed by the National Grid for Learning, is entirely free to registered users in secondary and further education and libraries. This initiative was developed with the support of a £1.2 million grant from the National Lottery New Opportunities Fund and features hundreds of hours of video clips from the vast collections of the *bfi* National Film and Television Archive, alongside thousands of stills, posters and press books and several hours of recorded interviews with film and television personalities. The collections are supplemented by authoritative contextual material produced by expert writers, commissioned by the *bfi*. By the end of the year 1858 organisations had registered for digital certificates. The number of page impressions recorded showed a steady monthly rise totaling 635,000 impressions overall. *Screenonline* has generated significant interest around the world, notably in the US, Australia and France.
- 13 restorations were completed at the Archive, including *Piccadilly* which premiered at the New York Film Festival and *Summer Madness (Summertime)* which was screened at the Times *bfi* London Film Festival 'Treasures From the Archive' strand.

Partnerships and Collaborations

The *bfi*'s Film Festivals receive significant support from commercial organisations. The *bfi* is particularly grateful to The Times, as the major title sponsor of the London Film Festival, but would also like to express its thanks to other sponsors as follows: Carlton Screen Advertising; Audi cars; American Airlines; Orange; Champagne Jacquessen; The Guardian; The Evening Standard; Time Out; Empire; Renault cars; Berkmann Wine Cellars; Hadham Water; Mayfair Cellars; Stella Artois; Midnite Express; Soho House; White Star Line; Konditor & Cook; Candy bar; Impact; Gay Times & Diva; Pink Paper and Jack Magazine.

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Governors' Report (continued)

The *bfi* has developed a close working relationship with TATE, enabling new audiences at Tate Britain and Tate Modern to see a wide range of material from the *bfi*'s extensive film collections in specially curated seasons which tie in with Tate exhibitions or aspects of their permanent displays. The partnership enables the two institutions, both holders of major national collections, to explore links between film and the other visual arts and to promote a wider understanding of the history of visual culture.

The *bfi* also works closely with the BBC on a number of joint projects, most notably the *Mitchell and Kenyon* project which will bring this fabulous collection of archive films to our television screens next year. In order to appreciate the collection and prepare it for public presentation, the *bfi* has worked in partnership with the National Fairground Archive at the University of Sheffield on a three-year research programme funded by the Arts and Humanities Research Board.

Net Outgoing Resources

Net resources generated for the year amounted to £4,000 as the *bfi* made a small surplus (2003: Net resources expended £1.9m).

Reserves Policy

The *bfi* funds both current and long-term developments from grants and donations received, and from income generated by its activities. The Governors were successful in achieving their objective of holding unrestricted cash balances at £5.1m (2003: £2.7m) - equivalent to more than two months of recurrent expenditure on unrestricted activities. The *bfi* has also reduced its negative free reserves to £1.6m (2003: £3.1m) and the Governors are considering as part of the Strategic Review what level of free reserves would be needed by the *bfi* to meet any unforeseen expenditure or fall in income, and is incorporating this into the budgets going forward.

At 31 March 2004 the *bfi* had total consolidated reserves of £45m (2003: £45m).

Restricted funds of £16.5m (2003: £17.3m) represents £16.1m (2003: £16.4m) invested in the *bfi*'s restricted fixed assets and the balance of £0.4m (2003: £0.9m) represents net unspent monies from donors who have set specific conditions for the use of those funds. Following a review of funds £0.2m of expenditure relating to TV Grants that was not charged to the restricted funds in prior years has been so charged and the opening balance at 1 April 2003 adjusted accordingly. This adjustment has the effect of reducing restricted funds brought forward from £17.6m to £17.3m and increasing unrestricted funds from £27.5m to £27.7m. This adjustment is in accordance with the terms of the restrictions. A summary of restricted fund balances is set out in Note 18.

Changes in Fixed Assets

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

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Governors' Report (continued)

Governance and Internal Control

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

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

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

Corporate Governance

The Board of Governors delegates specific responsibilities to its Committees. Membership of these Committees is identified on page 1, and also comprises Officers and Professional Advisers. Recommendations made by Committees are presented to the Board as a whole for approval.

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

- **Budget and Performance Committee** approves capital and revenue budgets, sets the *bfi*'s operational targets, and monitors performance.
- **Nominations and Appointments Committee** makes recommendations to the Board of Governors about appointments to the Board.
- **Property Committee** manages on-going capital development projects, considers future options, and recommends preferred options to the Board.
- **Remuneration Committee** determines and keeps under review the levels of pay, and the terms and conditions of service, for the *bfi* Director and other senior managers.
- **Diversity Committee** advises the Board to ensure that the *bfi*, as a public body, properly serves and reflects the diverse audiences within the UK, by delivering its services to meet the needs of these different groups with the ultimate aim of recognising and celebrating diversity in all its activities.
- **Audit and Governance Committee** reviews the effectiveness of the processes, structures, and controls used to direct, manage and account for the financial and business affairs of the *bfi*. The Audit and Governance Committee considers all internal and external audit reports and recommendations.

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Governors' Report (continued)

Statement on Risk Mitigation

The Audit and Governance Committee commissioned the Executive Board to carry out a comprehensive review of financial, operational and commercial risks. A detailed risk analysis has been developed with full involvement throughout the *bfi*, which has been reviewed by the Committee. This work will be further augmented as part of a full business continuity planning exercise during the financial year 2004/05.

Equal Opportunities

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

The ethnic minority level in the Institute is at 9% of the total workforce. This is recognised as being below the required level and the Executive have been tasked to address this, whilst recognising that this is difficult during a period of targeted staff redundancies.

Transactions with Related Parties

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

Employee Involvement

The many activities of the *bfi* would not be achieved without the commitment and dedication of the *bfi* staff. The changes in the senior management of the *bfi* during the year delayed a programme of change designed to improve not only the *bfi*'s customer service approach but also to introduce enhanced career and personal development for its staff. The delay has inevitably had some impact on staff morale. However, significant efforts were made by managers to improve the working relationship with the *bfi*'s recognised Trades Unions, and a programme of team meetings with a core brief was instigated in July 2003. The Strategic Review of the *bfi*, a requirement of the DCMS and UK Film Council is being led by the Director, but with the significant involvement of all staff of the *bfi* through a series of staff workshops and specific task workgroups.

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Governors' Report (continued)

Strategic Review

In August 2003 the *bfi* embarked on a Strategic Review of its work that was completed in March 2004. Four guiding principles were adopted as a navigational aid to the Review, namely, how could the *bfi* better:

- Maximise its impact across the UK;
- Engage with wider audiences;
- Increase its effectiveness;
- Represent film and television culture on the national and international stage.

In March 2004, after an extensive process of discussion and analysis, the *bfi* announced a series of Initiatives that would change it into an outward-facing, access-focused and partnership-driven organisation. These were:

- A radical re-orientation of the National Film & Television Archive that will lead to more energy being put into curating and interpreting the *bfi*'s collections in order to increase access through distribution. The *bfi* is also seeking to significantly increase the impact of its National Library. To achieve these objectives, it will be exploring a formal agreement with an educational institution with the aim of creating a "Centre for Excellence" where active restoration and scholarship meet;
- The *bfi* will work with partners to create a network of Archive Portals (or mediatheques) across the UK where people will be able to view on demand a wide range of otherwise unavailable classic film and television drawn from the national and regional archives;
- Virtual *bfi* will create access to the *bfi* for anyone, no matter where they live. The *bfi* has vast reservoirs of information, much of which is only available to visitors who visit the *bfi* premises and this is one of the areas that will be prioritised to accelerate information into the public domain;

It is intended that Virtual *bfi* will also contain a strong offer of educational resources, a web presence for young adults, the web casting of *bfi* events, and opportunities for creative experimentation in the moving image;

- The *bfi* will create a Partnership Office to be a single point of contact for colleagues in the Regions and Nations;
- The *bfi* will establish a new focus on young adults, with a dedicated office that will bring the perspective of young audiences to the heart of the *bfi*; and

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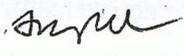
Governors' Report (continued)

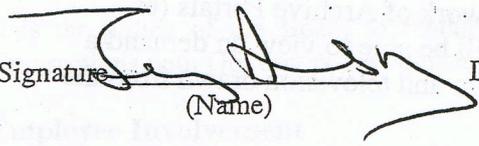
- Film is a major art form, highly popular, highly accessible, and hugely powerful in influencing national identity – and yet it does not have a home to match the flagships of other art forms.

The *bfi* has re-affirmed its commitment to achieving such a flagship – a national Film Centre that will be a vibrant meeting place where people will come together to enjoy and experience film in all its richness.

This will be an ambitious project of international importance and in the meantime the *bfi* will develop *bfi* South Bank - a centre that will include the NFT, but also include exhibition and information zones, education facilities, an archive portal and improved public leisure spaces. It is intended that this will become operational during 2005.

On behalf of the Board of Governors

Signature  Date 14/10/04
(Name)

Signature  Date 14/10/04
(Name)

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STATEMENT OF GOVERNORS' RESPONSIBILITIES

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

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

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

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

The Board of Governors has adopted the Code of Best Practice for board members of Public Bodies, and maintains a register of interests of board members. This is available for inspection, on request, at the *bfi*'s main administrative centre at 21 Stephen Street, London W1T 1LN.

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

We have audited the financial statements of the British Film Institute for the year ended 31 March 2004, which comprise the statement of financial activities, the balance sheets, the cash flow statement and the related notes 1 to 20, which have been prepared under the accounting policies set out therein.

This report is made solely to the charity's Governors, who are also the trustees of the charity, as a body, in accordance with Regulation 6 of The Charities (Accounts and Reports) Regulations 1995. Our audit work has been undertaken so that we might state to the charity's Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Governors as a body, for our audit work, for this report, or for the opinions that we have formed.

Respective responsibilities of governors and auditors

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

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

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

Basis of opinion

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

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

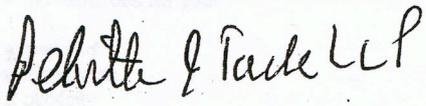
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**INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF THE BRITISH FILM INSTITUTE (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Group's and charity's state of affairs as at 31 March 2004 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2000.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

22 October 2004

BRITISH FILM INSTITUTE

STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 March 2004

	Note	Unrestricted £'000	Restricted £'000	2004 Total £'000	2003 Total £'000
Incoming resources					
Grant-in-aid	4	14,500	-	14,500	14,500
Other grants, legacies and donations		183	1,410	1,593	2,120
Lottery awards	5	-	1,466	1,466	2,379
<i>Activities in furtherance of the charity's objects:</i>					
Donated services		923	-	923	856
Access to moving image materials		10,015	97	10,112	8,833
Educating people to appreciate arts of film and TV		2,025	-	2,025	1,956
<i>Activities for generating funds:</i>					
Investment income	6	100	-	100	68
Other incoming resources		203	-	203	149
Total incoming resources for year		27,949	2,973	30,922	30,861
Resources expended					
<i>Cost of generating funds</i>					
Fundraising & publicity		261	-	261	310
		261	-	261	310
Charitable expenditure:					
<i>Cost of activities in furtherance of the charity's objects:</i>					
Access to moving image materials		20,605	3,154	23,759	24,163
Educating people to appreciate arts of film and TV		4,676	417	5,093	5,562
Support services		1,095	-	1,095	871
Management & administration		935	276	1,211	1,251
(Decrease)/Increase in provision arising on unfunded pension liabilities	17	(501)	-	(501)	621
		26,810	3,847	30,657	32,468
Total resources expended	7,10	27,071	3,847	30,918	32,778
Net resources expended		878	(874)	4	(1,917)
Funds brought forward at 31 March as previously reported		27,469	17,558	45,027	46,944
Transfer from restricted to unrestricted funds	18	227	(227)	-	-
Funds brought forward at 31 March as restated		27,696	17,331	45,027	46,944
Fund balances carried forward at 31 March		28,574	16,457	45,031	45,027

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

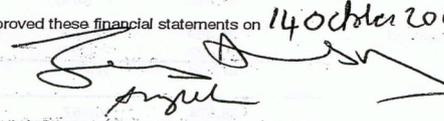
BRITISH FILM INSTITUTE

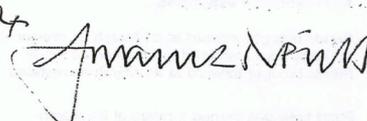
CONSOLIDATED AND CHARITY BALANCE SHEET
31 March 2004

	Note	Group 2004 £'000	Group 2003 £'000 Restated (Note 18)	Charity 2004 £'000	Charity 2003 £'000 Restated (Note 18)
Fixed assets					
Tangible fixed assets	11	46,214	47,126	46,197	47,115
Investments	12	-	-	96	96
		<u>46,214</u>	<u>47,126</u>	<u>46,293</u>	<u>47,211</u>
Current assets					
Stocks & work in progress	13	494	429	466	401
Debtors	14	2,784	2,793	2,928	2,904
Cash at bank and in hand	2, 15	5,120	2,880	4,542	2,264
		<u>8,398</u>	<u>6,102</u>	<u>7,936</u>	<u>5,569</u>
CREDITORS: amounts falling due within one year	16	<u>(7,336)</u>	<u>(6,124)</u>	<u>(6,953)</u>	<u>(5,676)</u>
NET CURRENT ASSETS		<u>1,062</u>	<u>(22)</u>	<u>983</u>	<u>(107)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,276</u>	<u>47,104</u>	<u>47,276</u>	<u>47,104</u>
Provision for liabilities and charges	17	<u>(2,245)</u>	<u>(2,077)</u>	<u>(2,245)</u>	<u>(2,077)</u>
NET ASSETS		<u>45,031</u>	<u>45,027</u>	<u>45,031</u>	<u>45,027</u>
FUNDS:					
Unrestricted funds	18	28,574	27,696	28,574	27,696
Restricted funds	18	16,457	17,331	16,457	17,331
TOTAL FUNDS	18	<u>45,031</u>	<u>45,027</u>	<u>45,031</u>	<u>45,027</u>

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

The governors and directors of the *bfi* approved these financial statements on 14 October 2004


Governor


Director

BRITISH FILM INSTITUTE

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	2	2,720	1,660
Return on investments and servicing of finance	3	83	68
Capital expenditure and financial investment	3	(563)	(1,093)
Increase in cash in year		<u>2,240</u>	<u>635</u>

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

1. ACCOUNTING POLICIES

The financial statements of the *bfi* are prepared under the historical cost convention and in accordance with the Charities Act, the Statement of Recommended Practice (SORP), "Accounting and Reporting for Charities" published in October 2000 and applicable accounting standards. The following principal accounting policies have been applied on a consistent basis during both the current and preceeding year:

Basis of consolidation

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis within the SOFA. No separate SOFA has been presented for the charity, as permitted by paragraph 304 of the SORP. The balance sheet and related notes, however, show the assets and liabilities of the Group as well as the Charity.

Incoming resources

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

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

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

Resources expended

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

Collections: films etc

All expenditure on acquiring and improving the national collection of films, television material, photographic stills, posters, books and other related materials held by the *bfi* is included in charitable expenditure in the year incurred. In the main this expenditure is of a curatorial or restoration nature and the Trustees are of the opinion that any value attributed to fixed assets would not be material. The Collections also comprise donated material and these items are not susceptible to formal valuation. A nominal value of £1 has been placed on these collections.

Investments

Investments are stated at cost less provision for impairment.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets and depreciation

Expenditure of £500 or more on tangible fixed assets is capitalised and included at cost.

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

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

Stocks and work in progress

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

Pension costs

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

Operating lease transactions

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

Fund accounting

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

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

Foreign currencies

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

2. CASH FLOW STATEMENT

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

	2004 £'000	2003 £'000
Net outgoing resources before lottery funding	(1,461)	(4,296)
Lottery funding	1,465	2,379
Net outgoing resources	4	(1,917)
Less interest receivable	(83)	(68)
Depreciation	1,475	1,564
(Increase)/decrease in stocks	(65)	72
(Increase)/decrease in debtors	9	1,322
Increase in creditors	1,212	202
Increase in provision for liabilities and charges	168	485
Net cash inflow from operating activities	<u>2,720</u>	<u>1,660</u>

3. ANALYSIS OF CASH FLOWS

	2004 £'000	2003 £'000
Return on investments and servicing of finance		
Interest receivable	<u>83</u>	<u>68</u>
Capital expenditure and financial investments		
Purchase of tangible fixed assets	<u>(563)</u>	<u>(1,093)</u>
	<u>(563)</u>	<u>(1,093)</u>

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

	2004 £'000	2003 £'000
Increase in cash in the year	2,240	635
Net funds at 1 April 2003	<u>2,880</u>	<u>2,245</u>
Net funds at 31 March 2004	<u>5,120</u>	<u>2,880</u>

b) Analysis of net funds

	1 April 2003 £'000	Cash flow £'000	31 March 2004 £'000
Cash at bank and in hand	<u>2,880</u>	<u>2,240</u>	<u>5,120</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

4. RELATED PARTY TRANSACTIONS

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

a) Film Council Grant in Aid

	2004	2003
	£'000	£'000
Unrestricted funds	<u>14,500</u>	<u>14,500</u>
Restricted funds (included within 'Other grants', see Note 18)	<u>200</u>	<u>-</u>

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

- Extend & improve access to film culture, serving the diverse geographical needs of the UK's nations and regions and recognising the differing needs of rural, suburban and metropolitan locations
- Improve education about the moving image
- Support & encourage cultural diversity and social inclusiveness
- Promote film activity in the nations & regions and ensure that national and regional bodies work in concert towards the Film Council's goals

b) Governors

The Governors neither received nor waived any emoluments during the year (2003 £Nil). Seven Governors received reimbursed expenses amounted to £3,544 in the year (2003 £10,032). This primarily represents reimbursed travelling expenses incurred in attending Governors' meetings. Payments totalling £Nil (2003 £Nil) were made in the year for services. There were no other material connected party transactions involving Governors in their personal capacity.

The charity has purchased insurance to indemnify the Governors against the consequences of any neglect or default on their part. This amounted to £1,980 (2003: £nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

5. LOTTERY FUNDED PROJECTS

	Gross costs of projects 2003/4 £'000	Less lottery monies b/fwd 1 April 2003 £'000	Less lottery monies received £'000	bfi funded £'000
Heritage Lottery Fund - film preservation project	1,594	22	1,324	248
New Opportunities Fund - Screen-on-Line project	211	64	141	6
	<u>1,805</u>	<u>86</u>	<u>1,465</u>	<u>254</u>

6. INVESTMENT INCOME

	2004 £'000	2003 £'000
Interest receivable	<u>100</u>	<u>68</u>

7. TOTAL RESOURCES EXPENDED

	Staff £'000	Other £'000	Overheads £'000	2004 Total £'000	2003 Total £'000
Fund-raising & publicity	45	216	-	261	310
Access to moving image materials	9,182	9,752	4,825	23,759	24,163
Educating people to appreciate arts of film & TV	1,890	3,172	31	5,093	5,562
Support services	2,670	731	(2,306)	1,095	871
Management & administration	758	(70)	523	1,211	1,251
(Decrease)/Increase in provision arising on unfunded pension liabilities (see Note 17)	(501)	-	-	(501)	621
Total resources expended	<u>14,044</u>	<u>13,801</u>	<u>3,073</u>	<u>30,918</u>	<u>32,778</u>

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

8. STAFF COSTS

	2004 £'000	2003 £'000
Staff costs consists of:		
Wages & salaries	13,116	13,493
Social security costs	970	915
Pension costs (see Note 9)	459	352
(Decrease)/Increase in provision arising on unfunded pension liabilities (see Note 17)	(501)	621
	<u>14,044</u>	<u>15,381</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

8. STAFF COSTS (CONTINUED)

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

	2004	2003
	Number	Number
Funded by Film Council grant and operating income:		
Culture and education	331	318
Planning & resources	71	60
Development & communications	10	16
Directorate	<u>3</u>	<u>1</u>
	415	395
Employees funded by other grants or sponsorship monies	<u>23</u>	<u>89</u>
	<u><u>438</u></u>	<u><u>484</u></u>

	Age at		
	31 March		
	2004	2004	2003
		£'000	£'000
Director			
A. Nevill (annual rate from date of appointment 1 June 2003)	47	<u>100</u>	<u>-</u>
Relocation expenses		<u>14</u>	<u>-</u>

Including bonuses totalling £Nil. In addition relocation expenses of £13,585 were paid. A. Nevill became an ordinary member of the London Pensions Fund Authority pension scheme on 1st January 2004. Employers pension contributions for the period amounted to £1,575.

Acting Director

A. Wootton (annual rate from date of appointment 11 November 2002 to 23 May 2003)	41	<u>83</u>	<u>83</u>
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	2004	2003
	Number	Number
Other senior staff		
(including employers' pension contributions)		
£70,000 - £79,999	3	4
£60,000 - £69,999	9	3
£50,000 - £59,999	<u>9</u>	<u>8</u>

Included in the above are 18 (2003: 12) staff who are ordinary members of the London Pensions Fund Authority pension scheme. The amount of employers pension contributions attributable to these staff amounted to £60,805 (2003: £31,134)

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

9. PENSIONS

The *bfi* is an admitted body to the London Pensions Fund Authority (LPFA), which provides a defined benefit pension scheme for its salaried employees. It is a funded scheme and the assets are administered by trustees and are independent of the *bfi*. The related costs are assessed in accordance with the advice of professionally qualified actuaries.

SSAP 24 Disclosure

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

The most significant actuarial assumptions were:

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

As a result of the 2001 valuation, the contributions of *bfi* were set at 4.9% (previously 3.4%) of pensionable earnings for the year ended 31 March 2002 and at 6.3% for years ended 31 March 2003 and 2004.

An updated "fair valuation" of total fund assets was carried out as at 31 March 2004 by a qualified independent actuary and showed a much reduced level of total fund assets of £1,385m (2003: £1,079m).

The most significant actuarial assumptions in this recent valuation are:

	2004	2003	2002
	%	%	%
	Per annum	Per annum	Per annum
Rate of increase in salaries	4.40	4.00	4.30
Rate of increase in pensions in payment	2.90	2.50	2.80
Return on scheme investment:			
Equities	7.70	8.00	7.50
Bonds	5.10	4.80	5.50
Property	6.50	N/A	N/A
Cash	4.00	4.00	4.00

The present indications are that an increase in employers' pension contribution of approximately 2% would be necessary from 1 April 2005 if all underlying assumptions in this latest valuation were not to change.

FRS17 Disclosure

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

The actuarial valuation described above has been updated at 31 March 2004 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued for this purpose at fair value.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

9. PENSIONS (CONTINUED)

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

	Long term rate of return expected at 31/3/04	Value at 31/3/04 £'000	Long term rate of return expected at 31/3/03	Value at 31/3/03 £'000	Long term rate of return expected at 31/3/02	Value at 31/3/02 £'000
Equities	7.70%	1,137,200	8.00%	893,200	7.50%	1,341,000
Bonds	5.10%	173,400	4.80%	153,400	5.50%	1,329,000
Property	6.50%	52,000	-	-	-	-
Cash	4.00%	21,900	4.00%	33,200	4.00%	106,000
Total market value of assets		<u>1,384,500</u>		<u>1,079,800</u>		<u>2,776,000</u>

The *bfi* share of the net pension liability as at 31 March 2004

	2004 £'000	2003 £'000	2002 £'000
Estimated employer assets	31,170	25,446	34,800
Present value of scheme liabilities	(47,555)	(42,050)	(38,462)
Present value of unfunded liabilities (see Note 17)	<u>(2,382)</u>	<u>(2,210)</u>	<u>(2,181)</u>
Net pension deficit	<u>(18,767)</u>	<u>(18,814)</u>	<u>(5,843)</u>

We set out below the effect which FRS17 would have had on the financial statements for the year to 31 March 2004.

	2004 £'000	2003 £'000	2002 £'000
Total funds excluding pension liabilities	44,480	45,027	46,994
Amounts relating to defined benefit pension scheme	<u>(16,385)</u>	<u>(16,604)</u>	<u>(4,122)</u>
	<u>28,095</u>	<u>28,423</u>	<u>42,872</u>

In the event that:

- the assumptions underlying the present value of scheme liabilities; and
- estimated employer asset valuation were both to remain unchanged by 31 March 2006, then that part of the deficit stated above pertaining to the funded pension scheme - £16,385,000 (£18,755,000 less the already provided unfunded scheme of £2,370,000) will fall to be absorbed out of the *bfi*'s unrestricted reserves which currently stand at £27,682,000.

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

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

Analysis of the amount chargeable to resources expended under FRS17

	2004 £'000	2003 £'000
Current service cost	1,133	993
Curtailement and settlement	43	19
Total operating charge	<u>1,176</u>	<u>1,012</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

9. PENSIONS (CONTINUED)

Projected amount debited to other finance charges under FRS17

	2004 £'000	2003 £'000
Expected return on pension scheme assets	1,880	2,230
Interest on pension scheme liabilities	<u>(2,400)</u>	<u>(2,398)</u>
Net costs	<u>(520)</u>	<u>(168)</u>
Net revenue account cost	<u>1,696</u>	<u>1,180</u>

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

	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	4,070	(10,972)
Experience gains and (losses) arising on the scheme liabilities	(157)	166
Changes in assumptions underlying the present value of the scheme liabilities	<u>(2,769)</u>	<u>(1,316)</u>
Actuarial gain/(loss) recognised in SOFA	<u>1,144</u>	<u>(12,122)</u>

Movement in deficit during the year

	2004 £'000	2003 £'000
Deficit in scheme at beginning of year	(18,814)	(5,843)
Movement in year:		
Current service cost	(1,133)	(993)
Contributions	474	330
Contributions in respect of Unfunded Benefits	137	-
Impact of settlements and curtailments	(43)	(19)
Net return on assets	(520)	(168)
Actuarial gain/loss	<u>1,144</u>	<u>(12,121)</u>
Deficit in scheme at end of the year	<u>(18,755)</u>	<u>(18,814)</u>

As a result of the 2001 SSAP24 valuation, the contributions of the *bfi* have been set at 4.9% of pensionable earnings for the year and at 6.3% from 1 April 2003 for two years.

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

9. PENSIONS (CONTINUED)

History of experience gains and losses

	2004	2003
	£'000	£'000
Difference between the expected and actual return on scheme assets:		
amount	4,070	(10,972)
percentage of scheme assets	13.10%	-43.10%
Experience gains and losses on scheme liabilities:		
amount	(157)	166
percentage of the present value of the scheme liabilities	(0.30%)	0.40%
Total amount recognised in statement of total recognised gains and losses:		
amount	1,144	(12,121)
percentage of the present value of the scheme liabilities	2.30%	(27.40%)

The pension cost charge for the year for the defined benefit scheme was £459,000 (2003: £352,000).

10. NET RESOURCES

Net resources expended before transfers are stated after charging:

	2004	2003
	£'000	£'000
Auditors' remuneration:		
Audit	60	60
Other services	2	29
Depreciation	1,475	1,564
<i>Charges for operating leases:</i>		
Land & buildings	82	82
Other	25	25
	<u>25</u>	<u>25</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

11. TANGIBLE FIXED ASSETS

Group	Long leasehold property £'000	Freehold land and buildings £'000	Furniture fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2003	25,555	22,699	9,994	84	58,332
Additions	-	-	538	25	563
Disposals	-	-	(153)	(21)	(174)
At 31 March 2004	<u>25,555</u>	<u>22,699</u>	<u>10,379</u>	<u>88</u>	<u>58,721</u>
Depreciation					
At 1 April 2003	(2,043)	(1,805)	(7,278)	(80)	(11,206)
Charge for the year	(511)	(329)	(631)	(4)	(1,475)
Disposals	-	-	153	21	174
At 31 March 2004	<u>(2,554)</u>	<u>(2,134)</u>	<u>(7,756)</u>	<u>(63)</u>	<u>(12,507)</u>
Net Book Value					
At 31st March 2004	<u>23,001</u>	<u>20,565</u>	<u>2,623</u>	<u>25</u>	<u>46,214</u>
At 1 April 2003	<u>23,512</u>	<u>20,894</u>	<u>2,716</u>	<u>4</u>	<u>47,126</u>

£16,147 (2003: £11,832) of the net book value of furniture, fittings and equipment are held within the trading subsidiaries.
There were no assets held on finance lease during the year or at the year end.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004
12. SUBSIDIARIES

	bfi Big Screen £'000	Conn. Video Ltd £'000	2004 Total £'000	2003 Total £'000
Trading Account				
Income	2,990	20	3,010	2,319
Expenditure	(2,801)	(21)	(2,822)	(2,537)
Net operating profit/(loss)	189	(1)	188	(218)
Losses recovered from bfi under agency agreement		-	-	241
Surplus gift aided to the bfi	(189)	-	(189)	(23)
Net profit /(loss)	-	(1)	(1)	-
Balance Sheets				
Tangible fixed assets	16	-	16	12
Stocks and work in progress	27	-	27	29
Debtors	134	95	229	317
Cash at bank and in hand	595	-	595	616
Current liabilities	(772)	-	(772)	(878)
Total (<i>bfi</i> interest)	-	95	95	96

Shareholdings in subsidiaries

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

bfi (Big Screen) Ltd
 Connoisseur Video Ltd
 MOMI Ltd (dormant)
 Project Rosebud Ltd (e-commerce development - dormant)
 Glenbuck Films Ltd (dissolved 29 April 2003)

Trading subsidiaries are involved in activities wholly consistent with the *bfi*'s charitable aims and objectives and remit taxable profits to the *bfi* under Gift Aid. Their income and expenditure are consolidated into the group financial statements.

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

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

The investment held by the Charity is summarised as follows:

	2004 £'000
Cost	
At 1 April 2003 and 31 March 2004	150
Impairment	
At 1 April 2003	(54)
Charge for the year	-
At 31 March 2004	(54)
Net Book Value	
At 31 March 2004	96
At 31 March 2003	96

NOTES TO THE ACCOUNTS
Year ended 31 March 2004
13. STOCKS AND WORK IN PROGRESS

	Group 2004 £'000	Group 2003 £'000	Charity 2004 £'000	Charity 2003 £'000
Books and video publishing	246	174	218	146
Publications work in progress	99	88	99	88
Video working in progress	149	167	149	167
	<u>494</u>	<u>429</u>	<u>466</u>	<u>401</u>

14. DEBTORS

	Group 2004 £'000	Group 2003 £'000	Charity 2004 £'000	Charity 2003 £'000
Trade debtors	1,336	1,021	1,240	887
Amount owed by subsidiary undertakings	-	-	292	333
Other debtors	874	836	861	833
Prepayments and accrued income	462	562	423	477
Lottery awards	112	374	112	374
	<u>2,784</u>	<u>2,793</u>	<u>2,928</u>	<u>2,904</u>

15. CASH AT BANK AND IN HAND

	Group 2004 £'000	Group 2003 £'000	Charity 2004 £'000	Charity 2003 £'000
Cash at bank	5,108	2,858	4,530	2,242
Cash in hand	12	22	12	22
	<u>5,120</u>	<u>2,880</u>	<u>4,542</u>	<u>2,264</u>

The cash position has increased at the year-end due to monies being received early from The UK Film Council, relating to the 2005 financial year's funding.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2004 £'000	Group 2003 £'000	Charity 2004 £'000	Charity 2003 £'000
Trade creditors	(1,401)	(1,783)	(1,265)	(1,486)
Other taxes and social security costs	(328)	(314)	(321)	(306)
Other creditors	(770)	(1,367)	(608)	(1,224)
Accruals and deferred income	(4,837)	(2,660)	(4,759)	(2,660)
	<u>(7,336)</u>	<u>(6,124)</u>	<u>(6,953)</u>	<u>(5,676)</u>

Included in accruals and deferred income is £95,202 of deferred income in respect of Lottery grants (2003: £186,000) and £1,333,000 (2003: £nil) in respect of the Film Council advanced funding for 2005.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

17. PROVISIONS FOR LIABILITIES AND CHARGES - GROUP AND CHARITY

In addition to the amounts payable for current members of the pension scheme (Note 9), the *bfi* has an un-funded liability to pay pensions to 44 (2003: 44) former employees and their spouses. The total actuarial valuation for this liability at 31 March 2004 is £2,370,000 (2003: £2,210,000). After adjusting for payments during the year, the annual cost of £133,000 is included within pension costs for the year (Note 8). The anticipated cost falling due in the year to 31 March 2004 of £137,000 is included within creditors, and the balance of £2,245,000 is included in provisions.

The prior year's fair valuation was based on assumptions which have been updated to reflect the latest estimates of investment returns, inflation and salary increases. The independent actuarial valuation has been adopted requiring an adjustment of £294,000 (2003: £621,000) in the current year. In addition to the above provision the *bfi* held an additional £795,000 in other accruals brought forward from prior years. Based on the latest actuarial valuations the Governors consider that the provision is now adequate and have released the full balance to the SOFA for the year ended 31 March 2004. A summary of the impact on the SOFA therefore is:

	2004	2003
	£'000	£'000
Release of accrued costs brought forward	795	-
Charge for current year	<u>(294)</u>	<u>(621)</u>
Decrease/(increase) in overall pension accrual	<u>501</u>	<u>(621)</u>
	2004	2003
	£'000	£'000
Unfunded pension liability		
Valuation as at 1 April 2003	<u>(2,210)</u>	<u>(1,721)</u>
Utilised in the year	122	132
(Charge)/credit to SOFA	<u>(294)</u>	<u>(621)</u>
Net movement in year	<u>(172)</u>	<u>(489)</u>
Valuation as at 31 March 2004	<u><u>(2,382)</u></u>	<u><u>(2,210)</u></u>
Creditors: amounts falling due within one year	(137)	(133)
Provision for liabilities & charges	<u>(2,245)</u>	<u>(2,077)</u>
	<u><u>(2,382)</u></u>	<u><u>(2,210)</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

18. STATEMENT OF FUNDS

	Restated At 1 April 2003 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 March 2004 £'000
Unrestricted funds	27,696	27,949	(27,071)		28,574
Restricted funds:					
Fixed Assets	16,367		(587)	271	16,051
Charitable Activities:					
TV Grants - recording TV programmes for Access to moving image materials (see Restatement note below)	373	659	(793)	(67)	172
TV Grants - as above for Educational purposes	20	81	(81)		20
JP Getty	295	-	(295)		-
Digital Test Bed	(30)	220	(75)	(115)	0
ITC Library Grant	109	-	(91)		18
NOF - Screenonline Project	64	141	(184)	(21)	0
NFT Refurbishment Donations	-	110	(84)		26
Awards for All	4	-	(1)		3
Lambeth/Westminster Grants	9	8	(8)		9
Chaplin Foundation	98	-	(2)		96
Heritage Lottery Fund -film preservation project	22	1,324	(1,278)	(68)	-
NIACE	-	21	(21)		-
Disability project	-	50	(50)		-
DFES project	-	27	(27)		-
Jyvansyla Voc Institutue	-	10	(10)		-
David Lean Foundation	-	33	(33)		-
Sheffield University grant	-	20	(20)		-
Canadian High Commission	-	2	(2)		-
Paul Hamlyn Foundation	-	20	-		20
Skillset	-	5	(5)		-
Arts council	-	33	-		33
David Parker	-	6	-		6
Film Council	-	200	(200)		-
NFT General	-	3	-		3
Total restricted funds	17,331	2,973	(3,847)	-	16,457
Total funds	45,027	30,922	(30,918)	-	45,031

Restatement of Funds:

Following a review of funds £227,000 of expenditure relating to TV Grants that was not charged to the restricted funds in prior years has been so charged and the opening balance at 1 April 2003 adjusted accordingly. This adjustment has the effect of reducing restricted funds brought forward from £17,558,000 to £17,331,000 and increasing unrestricted funds from £27,469,000 to £27,696,000. This adjustment is in accordance with the terms of the restrictions.

TV Grants	Archiving services for both Independent Television and the BBC
ITC Library Grant	Maintenance of library
Awards for All	Community education project
Lambeth/Westminster Grants	Local education projects
Chaplin Foundation	Charlie Chaplin archive and research projects
Paul Hamlyn Foundation	London Film Festival education events
Arts council	Contemporary artists DVD series
David Parker	Nuffield Foundation Grant re Bradford Riots
NFT General	Donations specifically for the use of the NFT

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NOTES TO THE ACCOUNTS Year ended 31 March 2004

18. STATEMENT OF FUNDS (CONTINUED)

Fund balances at 31 March 2004 are represented by:

	Unrestricted £'000	Restricted £'000	Total £'000
Tangible fixed assets	30,163	16,051	46,214
Stocks and Work in Progress	494	-	494
Debtors	2,425	359	2,784
Cash at Bank and in hand	5,073	47	5,120
Current assets	7,992	406	8,398
Current liabilities	(7,336)	-	(7,336)
Long term liabilities	(2,245)	-	(2,245)
Total net assets	28,574	16,457	45,031

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

19. LEASE COMMITMENTS

Annual commitments in respect of operating leases payable in the year ending 31 March 2004 are as follows:

	Land and buildings 2004 £'000	Land and buildings 2003 £'000	Other 2004 £'000	Other 2003 £'000
Leases which expire:				
Less than 1 year	-	-	-	-
Within 2 to 5 years	40	40	25	25
Over 5 years	42	42	-	-
Total	82	82	25	25

20. TAX STATUS

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

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

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