

Group and Lottery
Annual Report and
Financial Statements

for the year ended 31 March 2006

As the lead agency for film, the UK Film Council works to stimulate a competitive, successful and vibrant UK film industry, both now and for the future.

We invest Government Grant-in-aid and Lottery money in developing new filmmakers, in funding exciting new British films and in getting a wider choice of films to audiences throughout the UK. We also invest in training, promoting Britain as an international filmmaking location and in raising the profile of British films abroad. We aim to deliver lasting benefits to the industry and the public through:

- creativity – encouraging the development of new talent, skills, and creative and technological innovation in UK film and assisting new and established filmmakers to produce successful and distinctive British films;
- enterprise – supporting the creation and growth of sustainable businesses in the film sector, providing access to finance and helping the UK film industry compete successfully in the domestic and global marketplace;
- imagination – promoting education and an appreciation and enjoyment of cinema by giving UK audiences access to the widest range of UK and international cinema, and by supporting film culture and heritage.

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UK Film Council Group and Lottery Annual Report and Financial Statements 2005/06

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A photograph of a film set in a rocky, desert-like landscape. The scene is overlaid with a semi-transparent red filter. In the foreground, a camera operator is crouched, operating a professional video camera mounted on a dolly. To the right, another crew member stands near the camera. In the background, several other people are visible, some standing and some working with equipment. The terrain is rugged with large, rounded rock formations under a clear sky.

Our role is to stimulate a competitive, successful and vibrant British film industry and culture, and to promote the widest possible enjoyment and understanding of cinema throughout the nations and regions of the UK.

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Contents

Chairman's foreword	6
Chief Executive Officer's review	8
Summary of activity	10
The role and policy priorities of the UK Film Council	11
UK Film Council highlights	14
Financial review of the business	17
Report by the Board on remuneration	20
Monitoring and evaluation	23
Employment statistics	25
Group financial statements	29
Lottery financial statements	71
Statutory background	120

Chairman's foreword

Not for the first time, the last 12 months have left both the optimists and the naysayers feeling completely vindicated in their opposing views on the state of the British film industry.

The former group, of which I am one, can justifiably point to the 33% share of the UK market that British films earned in 2005. Films such as *Pride & Prejudice*, *Nanny McPhee*, *Mrs Henderson Presents* and *Wallace & Gromit: The Curse of the Were-Rabbit* not only generated significant local box office receipts but they also worked wonders around the world. It is undeniable that no other international film industry enjoys a fraction of the worldwide box office achieved by our own.

Once again, the British film industry demonstrated its flair for innovation and thought-provoking cinema. Films such as *The Constant Gardener* and *The Proposition* captured awards and impressed audiences around the world, and the last year has seen the emergence of authentic new directorial and creative voices such as Andrea Arnold whose work bodes so well for the future of our film culture.

But the pessimists, too, have had enough to go on. They are right that despite all our success, the British film industry does not have a truly sustainable economic infrastructure. There is still only one independent British distributor with a significant market share and we are still over-reliant on one British production company for many of our hit films. We continue to look with envy at Hollywood and wonder not only why they can and we can't make big blockbusters, but why a film like *Crash* was not written, developed and shot in the UK. Moreover, the pestilence that is film piracy is rampant and the lucrative Video On Demand future is still a little way off on the horizon.

Yet overall, we have a population passionate about films. In 2005, we had a flat box office, (the only one in Europe to buck the trend of a considerable drop in business) and we have the most highly developed international DVD market. We won Oscars® and we put on a star-studded BAFTA film awards ceremony. There are British actors in most of this summer's blockbusters and we have many of the world's greatest creative artists (it can't be a coincidence that the most successful *Harry Potter* film was made by a British director). We have a

post-production sector that is arguably the best in the world. Most of all, we have exceptionally talented young people desperately trying to get into our industry. And in this context, I believe, it has been a good year for the UK Film Council. The achievement which overrides everything else was our involvement in discussions with the Exchequer, which resulted in the new film tax credit announced by the Chancellor in December. A simple, easily accessible 20% subsidy on lower budget films must make a real difference and facilitate indigenous film production. Similarly the 16% tax break on films with budgets over £20 million will surely bring Hollywood's big budget film production back to the UK, with the real possibility that we will be able to revisit the high levels of production achieved in 2003.

Perhaps the other most significant development during the year was the start of the phased roll out of the UK Film Council's network of 240 digital projectors to cinemas which have contracted to take this state-of-the-art equipment in exchange for programming more time for specialised and British films. We hope this intervention will ultimately create a step change in the variety and diversity of British and world cinema on offer across the UK.

I will leave it to John Woodward to summarise many of our other activities, achievements and plans, but I must mention the increased BBC commitment to film. This is one of those rare deals that is to the significant advantage of both parties. I believe that the BBC's schedules and their audiences will benefit from including more British films and the UK film industry will clearly benefit from the threefold increase in financial commitment from the BBC.

The new tax scheme and the BBC deal are examples of what I believe the UK Film Council does best. We are most impactful when we become involved in areas where, because of its structure, the industry cannot be effective. Our training and education strategy is another example. Due to its fragmented nature, the industry would be unable to co-ordinate the financial commitment required to set up initiatives such as the First Light Scheme or the Skillset Film Business and Screen Academies.

Finally, I want to acknowledge the UK Film Council's trinity: the Board, the staff and our 'owners', the Government, in the shape of the Department for Culture, Media and Sport (DCMS). The current Board is the most constructive, collaborative and committed I have encountered in any industry. Their work rate is impressive, and is matched only by the desire of every single member to help make a difference.

I also want to use this opportunity to thank all our colleagues, whether elected or employed, at the DCMS, who are truly both supportive and encouraging. I am not sure that the British film industry always really appreciates how much this Government (rightly) prioritises and values film. We certainly get our fair share of attention.

Last but not least, I must acknowledge the sheer professionalism and expertise of the UK Film Council staff in general, and John Woodward and his senior management team in particular. During the last year they have done more than a great job.



Stewart Till CBE

Chair

28 September 2006

Chief Executive Officer's review

This year has been extremely busy on the public policy front and, I am pleased to report, particularly successful. Perhaps the most eagerly anticipated announcement was Gordon Brown's statement in his 2006 Budget heralding the introduction of a new film tax credit from 1 April to replace Sections 42 and 48. This was the culmination of a thorough Government review of film tax relief which the UK Film Council and other industry bodies worked hard with the Treasury to get right. I believe the result is the best news the industry has had for years. It is more generous than we were expecting with low budget films (up to £20 million) benefiting to the tune of 20% net and higher budget films (£20 million and above) gaining a 16% net benefit. All expenditure incurred within the UK qualifies for relief with a minimum UK expenditure threshold of 25% giving the UK a competitive tax break which, when combined with our skills, talent and expertise and our top class infrastructure makes the UK an extremely attractive location to make independent films as well as big budget US studio productions.

The UK Film Council also entered into an historic agreement with the BBC. In February 2006 we both signed a Memorandum of Understanding which outlined a new way of working and identified collaborative projects such as the Digital Screen Network (DSN), the British Film Institute creative archive, media literacy and film skills training. As a direct consequence of our discussions over the last year, the BBC announced that pending licence fee agreements it would double its current investment on production and acquisition of British films from £150 million to £300 million over the next 10-year charter period – a significant achievement which will benefit our industry.

In February, the UK Film Council completed the first phase of the ground-breaking DSN, part of our strategy to get specialised films with potentially wide appeal, but often a limited release, out to cinema-goers across the UK. The DSN is a £12 million scheme, funded by the National Lottery to equip 240 screens in 210 cinemas with state-of-the-art digital projection equipment. In return, cinemas will show more specialised, non-blockbuster films. Films including *A Cock and Bull Story*, *The Proposition* and classics such as *Brief Encounter* have already utilised the network, which will be completed by spring 2007.

Clearly, if you give the public more choice, they jump at the chance to see a wider range of films. Foreign language films grossed £27 million in 2005, 141% up

on 2000. Our Prints and Advertising Fund awarded £2 million over the course of last year to a broad range of arthouse and foreign language films such as the Oscar® nominated *Transamerica*, *Mad Hot Ballroom*, the Academy Award winning *Tsotsi*, *Breakfast on Pluto*, *King's Game* and *Sophie Scholl*.

Archive films have also regained their rightful place in the spotlight this year with the presentation of the discovery of Peter Worden's Mitchell and Kenyon collection described as film's equivalent of the excavation of Tutankhamen's tomb. This treasure trove of 800 films has now been preserved for the nation by the British Film Institute (BFI) and a prime-time series for the BBC, *The Lost World of Mitchell & Kenyon* attracted a total audience of 4.8 million. The BFI also took steps to diversify its appeal beyond traditional audiences with the Black World season which was launched simultaneously across four cities, incorporating 40 separate events and 30 external partners. Meanwhile, work began on the redevelopment of the South Bank, home to the National Film Theatre, which will see the former MOMI site transformed into a modern, dynamic and inspiring home for film by the end of 2006.

The UK Film Council continued to spearhead script development through its £4 million a year Development Fund, the largest source of such public finance within Europe. *Festival*, *The Proposition*, *Love + Hate*, *Red Road*, *Tideland* and *Millions* are just some of the films which received development support.

The Premiere Fund continued to build on its previous successes and 2005 saw massive critical acclaim for Fernando Mereilles' *The Constant Gardener*, John Hillcoat's *The Proposition* and Annie Griffin's *Festival*.

The New Cinema Fund continues to encourage unique filmmaking talent, innovative approaches and new voices to fund films that connect with UK audiences. During 2005, the fund supported Shane Meadows' *This Is England*, Dan Reed's *Straightheads*, Richard Jobson's *A Woman In Winter* and Adrian Shergold's *Pierrepont*. Also, this year the New Cinema Fund co-financed the 2006 Palme d'Or winner at Cannes, Ken Loach's *The Wind that Shakes the Barley*, as well as Andrea Arnold's Cannes Prix du Jury winner *Red Road*. Paul Trijbits, who has headed the fund since its inception, will step down in October 2006 with arguably the most impressive track record of any cultural production fund chief in British film history.

Many other films that received National Lottery funding through our production and development funds, also scooped prestigious international awards. *The Constant Gardener* received 49 award nominations and won 14 including an Oscar®, a Golden Globe and the BAFTA for Best British Film. *Festival* picked up 5 awards including the Douglas Hickox Award at the BIFAs for Annie Griffin, Best Screenplay at the Dinard and Stockholm festivals and two Scottish BAFTAs. Frank Cottrell Boyce won the Best Screenplay BIFA for *Millions*, while *The Proposition* scooped 10 awards including Australian Film Institute awards for Best Original Music Score and Best Cinematography.

It's also gratifying that real progress is now being made on really embedding diversity in the film industry. In July 2005, the industry got behind and pledged their support to an Equalities Charter for Film to promote equal opportunities and good practice, and tackle issues of access, training and presentation, both behind the camera and on screen. In addition, the UK Film Council hosted Breakthrough Brits, a showcase programme in Hollywood, celebrating the work of a new generation of British female talent, including a writer and cinematographer, as well as actresses, directors, producers and composers.

In the English regions, the Regional Screen Agencies continued to thrive, with investments in talent and the creative economy beginning to pay off, both through funding features (such as *Gypo*, *Confetti* and *Frozen*) as well as through supporting the development of stronger businesses and the creation of more jobs. Access and audience development projects, including rural film clubs in the East Midlands and North East and activities for young people – such as Summerscreen in Kent, Oxford and West Sussex – brought benefits to these areas.

Skillset held the first National Skills Day in May with more than 100 companies taking part across the UK in over 300 events. Skillset's Screen Academies – a key plank in the UK Film Council's training strategy – began to take shape with the launches of the Bournemouth Screen Academy, Screen Academy Scotland, Screen Academy at the London College of Communication (LCC) and Ealing Institute of Media (EIM), Screen Academy at the London Film School, Screen Academy at the National Film and Television School, Screen Academy Wales and the Film Business Academy at Cass Business School. Skillset's Film Business Academy is the world's first international centre dedicated to the business side of our industry and to helping power the UK film industry into the future.

First Light continues to go from strength to strength, with young people channelling their creativity into producing high quality films. This year's awards ceremony saw Amma Asante, Gurinder Chadha, Jenny Eclair and Oliver and James Phelps (the Weasley brothers in *Harry Potter*) present awards to young filmmakers aged 7 to 18 from all parts of the UK.

Production spending in 2005 totalled £559.55 million with UK involvement in 123 feature films. As expected, investment was considerably down on 2004 due largely to uncertainty over tax incentives. But more positively, the number of home-grown films made last year, such as *Stormbreaker* and Richard Eyre's *Notes on a Scandal*, rose by 37% with 37 indigenous feature films made. This resulted in a 36% rise in UK production spend at £159.84 million.

Interestingly, the UK also escaped a worldwide downturn in cinema-going largely due to the popularity of films with British subject matter which together accounted for 33% of the UK box office share – up from 23% in 2004 and the highest figure in 10 years.

Giving audiences more choice will remain the key priority in 2006/07 with the launch of the £3 million UK Audience Development Scheme, which aims to encourage greater experimentation in film viewing habits, and increase choice and awareness of films that do not sit neatly within the mainstream offering.

Looking ahead, the opportunities and challenges keep coming. Our review of film policy was commissioned in 2006 by the Secretary of State to identify further activities to help develop British film, and we must now work to ensure that film receives its fair share of funding in a tough climate for publicly funded bodies. However, as the Government makes its new spending plans, we now have a good story to tell thanks to our Board, partners, stakeholders and the industry.



John Woodward
Chief Executive Officer
28 September 2006

Summary of activity

Policy and funding priorities at a glance

Policy priorities	Goals
Fiscal support	To ensure effective long-term fiscal measures are in place to support the UK film industry and its culture
International	To modernise the UK's film co-production agreements To maximise inward investment by assisting the industry to strengthen the infrastructure for film To devise and implement a film export strategy To create opportunities for the UK film industry by building and strengthening relationships with the US industry To contribute to the development of European audio-visual policy
Anti-piracy	To help combat copyright theft and assist the film industry respond to changing market realities and consumer needs
Film and broadcasting	To ensure optimum fit between UK film policy and UK broadcasting policy
Diversity and inclusion	To help achieve a more diverse and inclusive workforce and film culture
Education and literacy	To develop and implement a joined-up and effective UK-wide media literacy strategy in which film and the moving image play a prominent part
Digital technology	To help equip the film sector to harness the potential benefits of digital technology
Research and statistics	To gather and publish statistics and to devise, carry out and disseminate research that helps develop a competitive UK film industry and vibrant film culture

Funding priorities	Goals	Funds/year
British Film Institute	To champion moving image culture in all its richness and diversity, across the UK, for the benefit of as wide an audience as possible and to create and encourage debate	£16,000,000
Distribution and Exhibition Fund	To offer a more diverse range of films to a broader UK audience	£8,000,000
Premiere Fund	To assist the production of British or European feature films that can attract audiences the world over	£8,000,000
Regional Investment Fund for England	To co-ordinate film policy and strategy across England	£7,500,000
Film Skills Fund	To ensure an adequate supply of skilled and talented professionals	£6,500,000
New Cinema Fund	To support creativity, innovation, new talent and 'cutting edge' filmmaking	£5,000,000
Development Fund	To broaden the range and ambition of projects and talent being developed	£4,000,000
First Light	To offer children and young people the opportunity to participate in filmmaking	£1,100,000
Sponsorship	To help promote targeted showcase film events	£600,000
Nations	To co-ordinate film policy and strategy UK-wide	£505,000
Publications Fund	To improve the quality of discussion, information and debate about film	£100,000

The role and policy priorities of the UK Film Council

As the Government's strategic agency for film in the UK, the role of the UK Film Council is to stimulate a competitive, successful and vibrant British film industry and culture, and to promote the widest possible enjoyment and understanding of cinema throughout the nations and regions of the UK.

Our strategic objectives

- To help the UK film industry compete successfully in the global market, and to use film to raise the profile of the UK and its culture across the world.
- To encourage the making of distinctive UK films by new and established filmmakers, and to help to ensure that those films find their audience.
- To ensure that audiences throughout the UK have access to the full range of British and international cinema.
- To support appropriate training opportunities across the value chain to help create a world class UK film industry.
- To support the development of opportunities for all UK citizens to understand and appreciate film, through the generation and dissemination of knowledge about film and the film industry.
- To support the development of opportunities for access to cinema history and heritage, and the use of film history, in understanding identity, representation, culture and creativity.

Our core values

- To lead on issues where a single powerful voice reflecting properly considered views is most effective.
- To work in partnership with government, industry and the private, public and voluntary sectors in the UK and internationally.
- To work with the grain of the market to stimulate competitiveness and enterprise, and to deliver sustainable development and best value.
- To promote social inclusion and celebrate diversity, so that every citizen in the UK has access to film culture and barriers to working in the industry are reduced.
- To encourage excellence and innovation, particularly through the use of new digital technologies.
- To be open, transparent and accessible to stakeholders, industry and the public alike.

Policy priorities

Significant progress was made by the UK Film Council last year in addressing the policy priorities set out in *Our Second Three Year Plan – April 2004 to March 2007*. This Government-backed plan identifies funding and policy priorities aimed at creating the optimal conditions for a successful UK film industry and a thriving film culture, offering access for all to the broadest range of British and international cinema.

In the second year of the plan, the UK Film Council succeeded in pushing forward its own agenda, and influencing the policy formation of partner organisations such as the BBC, Ofcom and the European Commission.

Our key achievements were in three areas: successfully advocating a new fiscal incentive system for film production in the UK; agreeing a film and TV industry Charter for Media Literacy; and signing a Memorandum of Understanding (MoU) with the BBC leading to an increased commitment to film production.

At the top of this list was the Government's announcement of a new system of tax relief to support the production of low and high budget British films, and a new cultural test to determine which films qualify for support. The UK Film Council's advice to Government during the consultation process helped in the creation of the new reliefs. We also worked closely with both Government and the industry to help ensure effective communication between all parties throughout the process.

The Media Literacy Task Force brings together Channel 4, the UK Film Council, the BBC, the BFI and Skillset, in collaboration with Ofcom. The Charter for Media Literacy, which aims to establish the value of media literacy and encourage both public and private investment in its development, was launched in November 2005 by James Purnell MP, Minister for the Creative Industries and Tourism, and is backed by a number of distinguished patrons. Many individuals and agencies in the UK's audiovisual and education sectors have now pledged support. An evaluation framework is now being developed to plot progress.

The MoU with the BBC set out a strategy for joint activities across the film sector. It was developed in parallel with the Review of the BBC's Royal Charter and is endorsed in the Government's Charter Review White Paper. It is particularly good news for UK film since the BBC has committed to increase significantly its

The role and policy priorities of the UK Film Council

investment in British film production and film acquisition, to drive innovation and awareness of film, and to further support British talent, training and development.

The organisation continued to influence European film policy. The European Union presidencies are key drivers for creating consensus on audiovisual policy issues, and to this end, the UK Film Council worked with the Department for Culture, Media and Sport (DCMS) and the British Screen Advisory Council (BSAC) to shape the Creative Economy Conference. Held as part of the UK presidency, the conference attracted over 300 policy-makers and practitioners from across Europe. In collaboration with the other members of the European Film Agency Directors (EFADs) network, a useful dialogue was developed with the European Commission on the review of the guidelines for the public funding of film, leading to an initiative to stimulate the emergence of online film services and on the new MEDIA Programme, MEDIA 2007.

In 2005, £4.1 million from the MEDIA Programme supported training, development, distribution and promotion for 93 projects by 69 UK companies. A further £4.2 million was invested in the release of UK films, such as *My Summer of Love*, in other European territories.

The UK Film Council continued to host the UK MEDIA Desk which assists the UK's audiovisual sector to maximise its access to MEDIA funding. The desk organised a range of events to raise awareness of the programme, including Co-production Express at The Times BFI London Film Festival which aimed to foster more effective co-productions between the UK and other European countries.

In close collaboration with the Government and the film industry, the UK Film Council continued to act on the recommendations of the 2004 report, *Film Theft in the UK*. All parties agreed on the need to unite the industry behind a single communications strategy for intellectual property (IP) education and awareness. A key objective in the year ahead will be to help orchestrate this shared public awareness campaign. The organisation also

MEDIA support for UK films in Europe 2005

- £4.1 million: MEDIA funding received by UK beneficiaries
- £4.2 million: MEDIA funding awarded to distribute UK films across Europe
- 39: UK films distributed in Europe with MEDIA support
- 22: non-national European films distributed in the UK with MEDIA support
- 34: UK cinemas in the Europa Cinemas network

actively contributed to the joint DCMS/Department for Trade and Industry IP Forum. The IP Forum made recommendations to Government at the end of 2005 which reinforced the proposed actions for IP crime, education and awareness, and business opportunities set out in *Film Theft in the UK*. The UK Film Council is also a co-sponsor of *Intellectual Property and the Public Sphere*, an Institute for Public Policy Research project.

In recognition of the revolution in digital broadcasting and film distribution, the UK Film Council commissioned research into the potential of digital platforms to enhance public access to British and specialised films. The recommendations of this study will be taken forward in the year ahead.

In the context of the BBC Charter Review, the UK Film Council worked in partnership with Arts Council England, the BFI, the Museums, Libraries and Archives Council, and NESTA (the National Endowment for Science, Technology and the Arts), to present Cultural Capital, a seminar that brought together the arts and broadcasting sectors to identify ways to strengthen creative and cultural activity in public service broadcasting.

The UK Film Council has continued to work towards achieving a more diverse and inclusive film workforce and film culture. In collaboration with the Broadcasting and Creative Industries Disability Network and the Writers' Guild, we supported a seminar that showed that action on disability issues is not simply about access and employment, but also about accurate representation.

Digital Africa, a series of screenings of South African cinema and workshops to promote partnerships between filmmakers from Africa and the UK, was supported by the UK Film Council and Channel 4 as part of Africa 05, the biggest celebration of African culture ever organised in the UK.

The organisation also hosted Breakthrough Brits, an event in Los Angeles, which aimed to raise the profile of British female filmmaking talent by honouring 13 British women from various film disciplines who are tipped for mainstream success. New contacts were made and at least one job has been secured as a direct result of the event.

A comprehensive online diversity toolkit has now been developed to help the sector improve its performance on diversity issues. The toolkit is part of the industry's drive to enable all sections of society, whether as audiences or as members of the workforce, to benefit from greater diversity in the film industry and in film content and portrayal.

The UK Film Council provides evidence and market intelligence for Government and the industry to inform its funding interventions. This work is carried out by our Research and Statistics Unit (RSU) and the Monitoring Unit.

Three key RSU research projects came to fruition during the year. A study of the impact of local cinemas was published online, revealing a range of social, economic and cultural benefits provided by town centre cinemas. Studies into the economic impact of the UK screen industries and UK film were completed, the results of which enabled modelling of the costs and benefits of the new tax incentives for UK film. In the coming year, results will be produced of three commissioned studies: one on the cinema viewing habits of film 'buffs', another on the scarcity of UK women screenwriters, and the third on the effect of film and television on tourism.

On the European front, the RSU continued to play a co-ordinating role in the European Film Agency Research Network, a forum for data sharing and collaboration. The UK Film Council's online database of European film funding, production and distribution activity, filmfileeurope.com, went from strength to strength. New territories were added including Ireland, Spain and Italy, and the site was translated into French, German, Italian and Spanish. Further MEDIA funding for site enhancements was also secured.

The RSU co-hosted a seminar on the cultural value of film with Royal Holloway, University of London. The unit also responded to over 500 enquiries ranging from general box office queries to an analysis of films on TV and the value of UK co-production. It continued to publish its research as widely as possible online and in print, in the form of its online bulletins and the *Statistical Yearbook*, now established as an essential reference tool on film in the UK.

UK Film Council highlights

April 2005

The Premiere Fund invests in two films by writers making their debuts, a genre comedy horror film *Severance* by James Moran and comedy noir *Three Bad Men* by Peter Straughan; and *Driving Lessons*, established screenwriter Jeremy Brock's directorial debut.

BBC Films and the New Cinema Fund agree to continue their successful development and production joint venture which has funded films such as *Bullet Boy* and *Shooting Dogs*.

May 2005

Round six winners of the Development Fund's 25 Words or Less initiative are announced: *Hummingbird* by Mathew McGuchan (occult horror), *MacNab* by Peter Reynolds and Chris Thompson (fish out of water) and *Pet Detectives* by Raymond Friel and Derek Boyle (animal adventure).

The UK Film Council's Research and Statistics Unit and Royal Holloway, University of London bring together representatives from academia, the industry and Government to consider how best to define, measure and understand the cultural value of UK film.

The trade body, UK Post, celebrates its first anniversary.

There are more than 10,000 visits over 10 days to the UK Film Centre at the Cannes Film Festival.

June 2005

A Digital Shorts Creative Summit is hosted by the New Cinema Fund and Lifesize Pictures in Bradford to debate and discuss the future of digital shorts. It culminates in the production of a Creative Manifesto to develop and support ideas and filmmaking talent over the next three years.

The first live demonstrations of the Digital Screen Network (DSN) equipment are successfully held at Cineworld, Wandsworth for a number of UK exhibitors.

King's Game (Dogwoof) and *Dear Wendy* (Metrodome) receive support through the Distribution and Exhibition Department's Prints and Advertising (P&A) Fund.

The first online version of the *Statistical Yearbook 2004/05* goes live on the UK Film Council's website.

190 foreign buyers from 33 countries attend the second London UK Film Focus (27-30 June), where 43 new British films screened and 17 films are premiered.

July and August 2005

Writer Ken Williams' Development Fund supported *Life & Lyrics*, also receives financing through the Premiere Fund. *The Rising* (Yash Raj Films) and *Rock School* (Icon) receive funding through the P&A Fund.

The £6 million Low Budget Film Scheme launched by the UK Film Council and FilmFour to nurture creative filmmaking in the UK, is awarded to Warp X and Qwerty Films.

The UK MEDIA Desk organises a panel discussion on European distribution at the Edinburgh International Film Festival. It focuses on the different release strategies for two films in four European territories.

The BFI's National Film and Television Archive and the BBC announce they will co-produce a new series based on the restoration of Claude Friese-Greene's 1920s travelogue, *The Open Road*, mixing restored footage with re-created material to be transmitted in 2006. The last BFI archive-BBC collaboration, *The Lost World of Mitchell & Kenyon* drawn from a collection of films made from 1900-1913 about the everyday lives of people at work and play, attracted millions of British viewers and DVD sales.

Skillset announces the six screen academies and the film business academy which form major planks in its joint film skills strategy for film with the UK Film Council. The academies in England, Scotland and Wales, will share over £5 million funding to help develop the brightest and the best from the next generation.

September 2005

The US box office for *The Constant Gardener*, co-funded by the Premiere Fund, reaches almost \$31 million in its fifth week.

The first DSN installations take place in the Curzon Soho (London) and Cornerhouse Manchester.

Offers of funding are made to four films through the P&A Fund: *Guy X* (Tartan), *Night Watch* (20th Century Fox), *Sophie Scholl* (ICA) and *Broken Flowers* (Momentum).

October 2005

Venus, a comedy drama written by Hanif Kureshi, directed by Roger Michell and starring Peter O'Toole, is co-financed through the Premiere Fund.

Mad Hot Ballroom (Metrodome) and *Murderball* (Optimum) receive awards through the P&A Fund.

The Small Capital Fund is launched by the Distribution and Exhibition Department. It is designed to help smaller cinemas improve access for disabled audiences, update equipment and refurbish premises.

A parliamentary reception is held at the House of Commons to launch the Digital Screen Network and to inform MPs, ministers and the industry about its benefits in broadening the range of films available to audiences throughout the UK and in improving access to specialised films.

As part of The Times BFI London Film Festival, the UK MEDIA Desk hosts Co-production Express, a forum to foster more effective co-productions between the UK and other European countries. Over 220 international delegates attend and the 20 European co-producer speakers bring a different perspective to the discussion.

French, German, Italian and Spanish language versions of the Film File Europe online database (www.filmfileeurope.com) are launched.

November 2005

The Development Fund's successful 25 Words or Less scheme is launched in South Africa at the Sithengi Film Festival in conjunction with the National Film and Video Foundation of South Africa and Universal International Pictures (UIP). The programme complements plans for a UK-South African co-production treaty by generating potential projects between the two nations.

Miss Potter, a film based on the life and times of Beatrix Potter, is co-financed through the Premiere Fund.

The Charter for Media Literacy, now supported by some 70 organisations, is launched at a round table briefing session hosted by James Purnell MP, Minister for the Creative Industries and Tourism.

The UK Film Council hosts Breakthrough Brits in Los Angeles an initiative honouring the UK's top emerging female talent.

P&A funding is awarded to *March of the Penguins* (Warner Bros), to be distributed digitally through the DSN.

December 2005

The first part of a new UK-Indian co-production treaty is signed in New Delhi.

The Development Fund sponsors the Screenwriters Award at the Women in Film and Television Awards. It also announces more research into the scarcity of female screenwriters working in the UK.

The Premiere Fund co-finances the period drama *Becoming Jane*, to be directed by Julian Jarrold (*Kinky Boots*).

Frozen (Guerilla Films), *Breakfast on Pluto* (Pathé), *A Cock and Bull Story* (Redbus) and *Match Point* (Icon) all receive support through the P&A Fund.

UK Film Council US sponsors the Michael Powell Retrospective with the British Film Institute, a profile-raising event in Los Angeles.

UK Film Council highlights continued

January 2006

The Premiere Fund co-finances *WAZ*, a serial killer thriller by writer and debut director Tom Shankland.

As part of its commitment to explore the benefits of digital technology in making and screening films, the New Cinema Fund partners with *Screen International* to organise a competition at the Cinema Next Conference. Three professional filmmakers are challenged to shoot, edit and complete a film on the day of the conference. The results are then screened live and online, and viewers vote for their favourite film.

P&A Fund awards go to *Grizzly Man* (Revolver), *Crossing the Bridge* (Soda Pictures) and *The Proposition* (Tartan).

The seminar, Cultural Capital: Maximising Public Value across the Cultural and Broadcasting Sectors, is held in conjunction with Arts Council England, the British Film Institute, The National Endowment for Science, Technology and the Arts (NESTA) and the Museums, Libraries and Archives Council (MLA). Its aim is to discuss ways that the representation of culture can be strengthened in the area of broadcast to the benefit of audiences.

February 2006

More than 200 young filmmakers attended the fourth star-studded First Light film awards celebrating films made by young people aged 5 to 18 years from across the UK. To date more than 10,000 young people have been given the chance to write, act, shoot and produce over 700 films under the guidance of professional filmmakers.

The Big Idea, a creative forum co-funded by the UK Film Council, its US office and Skillset, brings together high profile members of the UK and US production, agent and talent communities for two days of networking, workshops and panel discussions. The forum is designed to set the spotlight on the creative process and explore themes such as where big ideas come from and how they develop into great films.

The Premiere Fund co-finances *Closing the Ring*, *Tiger's Tail* and Mike Leigh's *Untitled '06*.

The Digital Screen Network's pilot phase roll out of 50 screens in the North West, Yorkshire and West End of London is completed.

Hidden (Artificial Eye), *Tsotsi* (Momentum), *Shooting Dogs* (Metrodome) and *Kidulthood* (Revolver) receive support from the P&A Fund.

A Memorandum of Understanding is signed with the BBC which includes its commitment to develop a film strategy, help stimulate indigenous film production, and support British film talent, training and development.

March 2006

The Chancellor of the Exchequer announces the introduction of a new tax regime for film to be effective from 1 April 2006. This gives the UK a competitive tax break which when combined with the industry's skills, talent and expertise, makes the UK an attractive location to make independent films as well as big budget international productions.

P&A funding is awarded to 10 films including *Unknown White Male* (Shooting People), *The Road to Guantanamo* (Revolution Films) and *Transamerica* (Pathé).

The International Department organises export missions to Japan and to the Hong Kong FILMART/Entertainment Expo for UK sales companies to promote and sell British films, build relationships with the respective film industries and develop a better understanding of the East Asian markets. The department also takes a delegation to the 6th Annual Frames conference (Mumbai) including speakers on subjects ranging from co-producing with the UK to animation.

The nine Regional Screen Agencies in England which are involved in all aspects of the moving image – production, training, locations, business development, archives, education, festivals and cinemas – report on a highly successful year. They worked with 3,300 companies, responded to more than 13,000 location enquiries and leveraged £13.5 million worth of external investment for screen industries and screen culture during the previous year.

Financial review of the business

Summary of results

Group income increased by 23% (£3.6 million) to £60 million and expenditure decreased by 20% (£16.6 million) to £63 million, resulting in a surplus on ordinary activities before interest and taxation of £8.4 million in the year, against a deficit of £21.8 million in 2004/05.

This surplus is consistent with the new commitments inherent in the UK Film Council's second three year plan, whereby in certain circumstances longer term commitments are being made where possible. Hence in 2004/05, a three year commitment was made and recorded to the Film Skills Fund, however this was partially funded, at that date from income to be received in both 2005/06 and 2006/07.

In accordance with Treasury requirements, the UK Film Council applies the full provisions of FRS 17 (accounting for pensions). In 2006, this led to an increase in the after-tax surplus of £0.05 million resulting in total recognised surplus for the year of £9.0 million (2005: £21.2 million loss).

Income sources

Exchequer Grant-in-aid at £23.1 million is down from £24.1 million in 2004/05. This is because of an agreement with the Department for Culture, Media and Sport to transfer £1 million of the UK Film Council's Grant-in-aid allocation into 2006/07. The average sum across the two years will remain constant at £24.1 million. Overall, this represents no increase over the Spending Review period 2003/06. However the UK Film Council received a further £1 million from the DCMS Modernisation Fund, specifically for the re-structuring at the British Film Institute (BFI) arising from its strategic review.

The UK Film Council receives 2.03% of the money available to distributors from the National Lottery. Lottery income at £30.3 million was up 1% (£0.4 million); however adjusting this income for £12.0 million from Arts Council England, under the Lottery capital funding delegation of £15 million (2005: £0.91 million), the like-for-like increase is 37% (£11.5 million). This reflects an increase in the share of the proceeds from the National Lottery in 2005/06 of 1% and a decrease in investment income of £0.1 million. In addition, recoupment income from film rights increased by £2.0 million.

British Screen Group income in the year was £0.9 million, an increase of £0.25 million (40%) on the previous year.

Grant-in-aid awards

Grant-in-aid awards during the year were £25.6 million, an increase of 279% in number and 12% in value (£2.8 million). The largest award was £16 million (62%) to the BFI to support the UK Film Council's cultural and educational objectives, as in 2004/05. In addition, £2 million (7%) was awarded towards the redevelopment of the National Film Theatre South Bank complex. A further £1 million (3%) was allocated to the BFI from the DCMS Modernisation Fund to support continued re-structuring following the strategic review conducted by the BFI in 2003/04. £4.7 million (18%) was awarded to the nine Regional Screen Agencies created from the UK Film Council's Regional Investment Fund for England (RIFE) and awards totalling £0.5 million (1%) were made to the National Screen Agencies in Scotland, Wales and Northern Ireland, the British Federation of Film Societies and the Independent Cinema Office (ICO).

The UK Film Council is committed to ensuring that equality and diversity are central to all strategies and activities, and continues its work in implementing the policies in the publication *Success through Diversity and Inclusion*. £0.3 million of awards (1%) were made in this specific field.

The costs of the UK MEDIA Desk are jointly shared with the European Commission, and the UK Film Council's share was £0.1 million. A further £1.3 million was invested in international activities, including marketing activities and events to attract film production into the UK, particularly after the Chancellor's announcement in December 2005 of the new tax breaks for film investment in the UK, and to promote UK film overseas. In addition, UK Film Council US received a grant of £0.4 million, and a further £0.4 million was invested in the Research and Statistics Unit to provide information for the benefit of the UK film industry.

Lottery applications

The UK Film Council received 1,582 direct Lottery grant applications (2005: 2,201), a decrease of 28%. These applications requested grants in excess of £230 million (2005: £235 million).

Financial review of the business continued

This reduction was due to applications to the film capital schemes, supported by Arts Council England delegated funds being predominantly received in 2004/05, with the deadline for applications for the Digital Screen Network being prior to 31 March 2005.

Applications to partner organisations operating schemes on the UK Film Council's behalf under formal delegation agreements continued to increase. Hi8us First Light Ltd, responsible for the young people's filmmaking initiative, received 151 applications, a decrease of 43% on 2004/05. The nine Regional Screen Agencies collectively received 1,510 applications, an increase of 2%, for their local Lottery schemes under the Regional Investment in England programme. In addition, Skillset, which is delegated responsibility for the UK Film Council's film skills training activities, received 328 applications in its second year of the delegation, an increase of 98% over the levels in 2004/05.

Lottery awards

A new Lottery award is not binding until contracts are signed and is treated as a 'soft commitment' within the notes to the financial statements. In 2005/06 the UK Film Council made new Lottery awards classified as soft commitments, totalling £42.3 million (2005: £50.7 million). This decrease reflects the inclusion in 2004/05 of the Film Skills Fund delegation to Skillset of £18.7 million, however this is offset in the current year by the awards to the Digital Screen Network of £11.7 million, funded by delegated monies from Arts Council England. Discounting these last awards, the level of commitments was in line with the UK Film Council's share of Lottery income of £30.3 million (including the National Lottery Distribution Fund investment income).

The new awards comprise:

	NUMBER	£000
Feature films and development	133	23,156
Distribution and exhibition	416	14,757
Delegations	10	4,300
Publications	6	90
	565	42,303

Once fully contracted, the award is classified as a 'hard commitment' in the financial statements and charged to expenditure, unless the award is for a feature film or development. These latter awards are classified as film rights and are disclosed in current assets with appropriate provisioning for any reduction in value.

Lottery awards for projects not including film rights, and charged to expenditure were £17.8 million (2005: £24.9 million). The decrease reflects the inclusion in 2004/05 of the Skillset delegation of £18.7 million – however this is offset by the awards to the Digital Screen Network in 2005/06 of £11.8 million from Arts Council England delegated funds. Other awards were the delegated agreements to the nine Regional Screen Agencies (£3.2 million) and First Light (£1.1 million). In addition, awards charged directly to expenditure include Distribution and Exhibition Department schemes (£1.6 million), and Publications Fund awards (£0.1 million).

Lottery film rights

New feature film and development awards classified as hard commitments in the year amounted to £36.6 million (2005: £22.4 million). These rights, including those from prior years, were valued at the end of the year at £39.8 million (2005: £26.3 million) after provisions against recoverability from future participation revenues. The net provisions made of £8.2 million (2004: £22.2 million) were charged to expenditure.

Lottery – National Lottery Distribution Fund (NLDF) balance

The UK Film Council benefits from participation in future revenues from the success of film rights awards and receipts are credited against film rights on the balance sheet, with only receipts in excess of the award being taken to income. In 2005/06, £13.8 million in receipts was taken to film rights, and a further £2.96 million was taken to income (2005: £7.7 million and £0.9 million respectively). These cash receipts are used before drawing down funds from the National Lottery Distribution Fund and allow the UK Film Council to plan future Lottery expenditure at levels above expected income from the National Lottery.

The UK Film Council made Lottery award payments of £51.1 million (2005: £27.1 million) which combined with operating expense payments led to an overspend against Lottery income and recoupment receipts during the year of £3.7 million. During the year the NLDF balance fell 13%, with a 31 March balance of £39.2 million (2005: £44.8 million).

At the year end, outstanding hard and soft commitments totalled £37.4 million (2005: £50.2 million) representing 95% of the NLDF balance (2005: 112%). This reflects the expenditure commitments in the 2004/07 strategic plan.

Other operating expenses

These expenses cover the strategic activities of the UK Film Council and of administering the Group and its film portfolios. They also cover all expenses to administer Grant and Lottery award schemes, including award application, assessment, approval, delivery monitoring, evaluation and reporting. Operating expenses were £8.5 million (2005: £9 million) and the average head count for the year was 90 (2005: 90) with non-labour costs of £3.1 million (2005: £3.5 million). This stabilisation of costs represents the implementation of the efficiency review and a regime of tight cost control. Of total costs, the operating expenses attributable to the UK Film Council's Lottery activities and charged to the separate Lottery accounts was £7.5 million (2005: £7.8 million).

British Screen Group

The UK Film Council is responsible for managing the film rights and loan assets of British Screen Finance Limited and its subsidiary companies. These assets produce receipts in terms of fee income for film rights and recoupment of film loans. Where these loans have been repaid, any further recoupment is profit and is taken to income. Income in the year was £0.9 million (2005: £0.6 million).

Recoverability of loans from future recoupment income is also assessed at each year end and provisions of £0.2 million (2005: £0.3 million) were charged as expenditure.

Report by the Board on remuneration

The Remuneration Committee

The Board of the UK Film Council is responsible for determining the remuneration of the Chief Executive Officer and senior staff. It discharges this responsibility through a Remuneration Committee which is authorised within its Terms of Reference to obtain independent professional advice if it considers this necessary, and to ensure that appropriate approvals are obtained from the Department of Culture, Media and Sport.

The Remuneration Committee comprises a chairman, who is also Chairman of the UK Film Council Board, and three other members of the Board, each appointed for a period of up to three years. The current members are:

Stewart Till CBE (Chairman)
Colin Brown
Andrew Eaton
Steve Knibbs

The Remuneration Committee considers annually the performance of the Chief Executive Officer and senior staff, following reviews carried out by, respectively, the Chairman and the Chief Executive Officer, and to determine their performance bonuses, as appropriate, in line with their contracts.

Remuneration framework

Board directors of the UK Film Council are entitled to draw the daily rate as established by HM Treasury for their time spent working on behalf of the UK Film Council. Board directors are not entitled to membership of any pension scheme by virtue of their appointment to the Board of the UK Film Council.

In determining appropriate levels of remuneration for senior staff, the UK Film Council 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 are entitled to membership of the Local Government Pension Scheme (LGPS), which operates a defined benefit scheme for those UK Film Council employees who wish to join. A description of the scheme can be found in note 7 to the UK Film Council Group accounts. Staff enrolled in the scheme which is contributory, accrue pension entitlement in the year at the rate of 1/80 of final pensionable salary, up to a limit of half of their final pensionable salary.

Where senior staff are entitled to contractual bonus payments, these are assessed by the Remuneration Committee against objectives fundamental to the aims and performance of the UK Film Council.

The total staff pay bill for each year is subject to approval by the Remuneration Committee and the Department for Culture, Media and Sport, under HM Treasury guidelines and limits for public sector pay.

Contracts of employment

Board directors are appointed for a term of three years by the Secretary of State for Culture, Media and Sport. Upon expiry of their first term, Directors may be re-appointed for a second three year term. There is no period of notice required for resignation from the Board.

Contractual terms for senior staff employed under closed contracts as at 31 March 2006 were:

	DATE OF CONTRACT	EXPIRY OF CONTRACT
John Woodward	1.11.05	31.10.08
Jenny Borgars	2.10.00	6.4.07
Sally Caplan	29.4.05	29.4.09
Paul Trijbits	16.3.00	30.9.06

In those cases where contractual terms are open ended, the period of notice required for termination of contract is no greater than six months.

Audited information

Board director remuneration

Directors' remuneration (including daily allowances) paid in the year ending 31 March 2006 were:

	2005/06 £	2004/05 £
Colin Brown	1,428	2,174
Andrew Eaton	1,830	1,386
Alison Owen	2,040	990
Sarah Radclyffe (retired 31.8.04)	-	990
Marc Samuelson	1,836	1,386
David Sproxton CBE	2,856	396
Parminder Vir OBE (retired 31.8.05)	1,014	2,178
	11,004	9,500

No Directors received any additional benefits or performance related payments in addition to the above.

Senior staff remuneration

Remuneration (excluding pension arrangements) for senior staff for the year ending 31 March 2006 were as follows:

	TOTAL FOR THE YEAR ENDED 31 MARCH 2006 £000	TOTAL FOR THE YEAR ENDED 31 MARCH 2005 £000
John Woodward Chief Executive Officer	180-185	175-180
Will Evans Head of Business Affairs	145-150	140-145
Steve Norris British Film Commissioner	135-140	135-140
Paul Trijbits Head of New Cinema Fund	135-140	120-125
Peter Buckingham Head of Distribution & Exhibition	130-135	115-120
Sally Caplan Head of Premiere Fund (appointed 29.4.05)	130-135	-
Jenny Borgars Head of Development Fund	105-110	105-110
Alan Bushell Chief Operating Officer	105-110	105-110
Iain Hepplewhite Head of Communications (to 30.7.05)	35-40	90-95
Lisa Tremble Head of Communications (appointed 1.1.06)	20-25	-

In addition to the above, each year staff receive the benefit of a £250 allowance for cinema tickets and are entitled to £100 towards membership of gym facilities. In addition, Steve Norris is contractually entitled to private health cover for which £2,237 was paid in the year.

Report by the Board on remuneration continued

Senior staff pension arrangements

The following senior staff were all members of the LGPS during the year

	REAL INCREASE IN ACCRUED PENSION BENEFITS 2005/06 £000	ATTRIBUTABLE PENSION ACCRUED AT 65 AT 31 MARCH 2006 £000	CASH EQUIVALENT TRANSFER VALUE (CETV) AS AT 31 MARCH 2005 £000	REAL INCREASE IN THE CETV AFTER ADJUSTMENTS FOR INFLATION, ETC IN 2005/06 £000	CETV AS AT 31 MARCH 2006 £000
Jenny Borgars Head of Development Fund	0-2.5	5-7.5	25-30	15-20	40-45
Peter Buckingham Head of Distribution & Exhibition	0-2.5	2.5-5	30-35	20-25	50-55
Alan Bushell Chief Operating Officer	0-2.5	5-7.5	45-50	45-50	90-95
Steve Norris British Film Commissioner	0-2.5	7.5-10	240-245	20-25	260-265
Lisa Tremble Head of Communications (appointed 1.1.06)	0-2.5	0-2.5	–	0-5	0-5
Paul Trijbits Head of New Cinema Fund	0-2.5	7.5-10	60-65	20-25	80-85

In addition to the above accrued annual pensions noted above, at the point of retirement, a lump sum of three times final pension is payable.

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, instead they represent a potential liability of the Pension Scheme. They have been calculated using assumptions certified by a qualified Actuary.

As at 31 March 2006, all senior staff with the exception of John Woodward, Will Evans and Sally Caplan were members of the LGPS. Pension contributions during the year were made to a money purchase occupational scheme for John Woodward and to private pension schemes for Will Evans and Sally Caplan and payments were £22,565, £14,685 and £14,454 respectively.

No compensation was paid to any former senior management in the course of the year.



Stewart Till CBE
Chair, Remuneration Committee
28 September 2006

Monitoring and evaluation

Introduction

Continuous monitoring and evaluation activity is undertaken across all UK Film Council activities ensuring delivery against both the organisation's strategic and policy priorities, as well as the strategic priorities of the Department for Culture, Media and Sport (DCMS).

In addition, the quantitative and qualitative monitoring information collected during the year underpins and informs the development of the UK Film Council's policies, strategies and funding programmes.

Monitoring is undertaken at various stages of programmes, awards and activities. For example, at application stage, monitoring helps to assess the reach and type of applicants and that the stated processing times are being achieved; during the life of a project, monitoring is undertaken to ensure the project delivers its stated outcomes on time and against budget; and, following completion, monitoring is undertaken to ensure that the financial, public value, creative and cultural outcomes have and continue to be delivered.

Examples of programme and project monitoring activity in 2005/06 include, for the Distribution and Exhibition Department, an assessment of performance of a number of programmes including Cinema Access (Equipment), Non-Theatrical Exhibition, and Soft-Subtitling and Audio Description.

During 2005/06, in addition to on-going monitoring activity, work was developed in two key areas.

Firstly, a study was undertaken for the role film can play in improving peoples' well-being and quality of life through a range of economic, social, cultural and educational benefits, working with partners in the nations and regions and through analysis of monitoring information from funded projects. This piece of work assisted in further developing the UK Film Council's understanding and approach to the concept of public value.

Secondly, with the British Film Institute, a study was undertaken looking at the profile, viewing patterns and needs of customers attending a range of UK Film Council funded activity, notably the National Film Theatre, The Times BFI London Film Festival and the London Lesbian and Gay Film Festival.

Monitoring and evaluation continued

The tables below indicate our performance against the objectives as set out in our funding Lottery and Grant-in-aid agreement with the DCMS.

Performance indicators: Activity against DCMS objectives

DCMS PRIORITY	KEY PERFORMANCE INDICATORS (HEADLINE INFO)	2005/06
Children & young people	Total number of children and young people benefiting from UK Film Council funded activity	90,096 people
Community	Total estimated number of people benefiting from projects aimed at promoting access to and understanding of film	62.7 million people
Economy	Film production spend in the UK (calendar year 2005)	£559.55 million
	UK cinema audience for UK Film Council supported films (at 31 March 2006)	38.94 million people
	UK box office of UK Film Council supported films (at 31 March 2006)	£172.5 million
	Number of publicly supported projects (production and development)	345
	Number of training days provided	12,218
	Number of people trained	6,495

General performance indicators

	2005/06
Administration costs for each completed application	£2,290
Staff sickness/absence	100% within target
Response to all enquiries	100% within target
Average time taken to process applications	42 days (target 40 days)
Number of applications outstanding at end of the year as a percentage of applications received in the year	15%

Performance indicators: Freedom of Information

	2005/06
Number of requests	14
% responded to within 20 days	92% within target
Number of Section 36 Exemptions applied	0

Employment statistics

1 Under Articles 5(1), 5(2) and 5(3) of the Race Relations Act 1976 (Statutory Duties) Order 2001, the UK Film Council has a duty to monitor, by reference to the racial groups to which they belong, and to report the following annually:

The numbers of

- staff in post; and
- applicants for employment, training and promotion, from each group.

2 Results of monitoring carried out in 2005/06.

2.1 Staff in post as at 31 March 2006.

Ethnic origin and gender of all employees as at 31 March 2006.

Employment statistics for staff in post at 31 March 2006:

ETHNIC ORIGIN	ALL EMPLOYEES		WOMEN		MEN	
	TOTAL	% OF TOTAL	TOTAL	% OF TOTAL	TOTAL	% OF TOTAL
African	2	2.4	1	1.2	1	1.2
African and white						
Any Chinese	1	1.1			1	1.2
Any other	4	4.7	4	4.7		
Bangladeshi						
Caribbean	2	2.4	2	2.4		
Indian	4	4.7	2	2.4	2	2.4
Other Asian						
Pakistani						
Unknown						
White	72	84.7	42	49.4	30	35.3
Total	85		51	60.0	34	40.0
Total (ethnic minority)	13	15.3	9	10.6	4	4.7

Employment statistics continued

2.2 Applications for employment in 2005/06

Ethnic origin of job applicants

Returned applications only, for 14 externally advertised posts in 2005/06

Employment statistics 2005/06 results:

ETHNIC ORIGIN	PROCESSED	SHORTLISTED	% OF PROCESSED	APPOINTED	% OF APPOINTED
African	28	3	2.6	1	7.1
African and white	6	–	0.6	–	–
Any Chinese	25	2	2.3	2	14.3
Any other	58	5	5.4	1	7.1
Bangladeshi	5	–	0.5	–	–
Caribbean	52	1	4.9	–	–
Indian	34	4	3.2	1	7.1
Pakistani	11	–	1.03	–	–
Other Asian	8	–	0.75	–	–
Unknown	50	–	4.7	–	–
White	789	64	74.02	9	64.3
Total	1,066	79		14	
Total (ethnic minority)	227	15	20.7	5	35.7

2.3 Applications for, and numbers of, staff receiving training

Data collection of training applications and activity in 2005/06 remained incomplete. However, the organisation's first training plan has been produced and this will be used to begin to measure training and development activity in 2006/07.

2.4 Applications for internal promotion

All posts are advertised internally and externally. In 2005/06 there were 3 internal promotions.



We are most impactful when we get involved in areas where the industry cannot, because of its structure, be effective. Our training and education strategy is another example.

The Enchanted Gourd courtesy of
First Light Movies Ltd

Group Financial Statements

for the year ended 31 March 2006

Company no: 3815052

Foreword to the Group financial statements	30
Directors' report	32
Statement of Directors' responsibilities	33
Statement on internal control	34
Independent auditors' report	36
Group income and expenditure account	37
Group statement of total recognised gains and losses	38
Group balance sheet	39
Company balance sheet	40
Group statement of cashflows	41
Notes to the financial statements	42
Schedule 1: Grant-in-aid awards in the year ending 31 March 2006	61
Schedule 2: Lottery awards in the year ending 31 March 2006	62

Foreword to the financial statements for the year ended 31 March 2006

Introduction

The UK Film Council is the Government-backed strategic agency for film in the UK. Set up in April 2000, its main aims are to stimulate a competitive, successful and vibrant UK film industry and culture, and to promote the widest possible enjoyment and understanding of cinema throughout the nations and regions of the UK. As such it is responsible for encouraging both cultural and commercial film activity, and provides a single, identifiable organisation able to raise the industry's profile, both at home and overseas.

The UK Film Council is responsible for all Department for Culture, Media and Sport Grant-in-aid expenditure for film (except the National Film and Television School) as well as being a designated National Lottery Distributor under the National Lottery Acts 1993 and 1998. Lottery funding for film development, production and training and certain other initiatives lie with the UK Film Council whilst Arts Council England continues to have responsibility for stabilisation funding and other schemes. Joint funding exists for film capital projects but Wales, Scotland and Northern Ireland have separate Lottery funding distributors.

The UK Film Council's long-term aims to develop and consolidate the UK as a centre of global film activity are set out in a second public statement of the organisation's overall industrial and cultural aims, its objectives and its funding programmes, *Our Second Three Year Plan - Funding and Policy Priorities, April 2004 to March 2007*.

The UK Film Council's Lottery programmes are now well established and comprise three film production funds – the Premiere Fund, the New Cinema Fund and the Development Fund. First Light, a delegated funding scheme through Hi8us First Light, based in Birmingham, continued awards to enable children and young people to experience filmmaking and explore their talents using low-cost technology.

2005/06 was the second year of the Films Skills Fund administered on a delegation basis by Skillset, the Sector Skills Council for the audiovisual sector. The fund covers all sectors of the film industry supported by resources of £6.5 million of Lottery money a year, an existing skills levy on film production and by the industry.

During the year the Specialised Distribution and Exhibition Department continued to develop opportunities for more people across the UK to see a broader range of films. The Prints and Advertising Fund (£1 million) and the UK Film Distribution Programme (£1 million) were merged into one single £2 million fund offering direct support to distributors' costs in making specialised films available to more cinemas and therefore audiences UK-wide. In addition, awards totalling £12 million were announced for the Digital Screen Network, to create a network of screens which dedicate screen time to showing specialised films across the UK.

The Publications Fund offered £100,000 to broaden readership, increase editorial range and sustainability of film related publications in 2005/06.

The UK Film Council's Regional Investment Fund for England (RIFE) continued to support the nine Regional Screen Agencies in England. These independent bodies drive cultural and industrial film initiatives in their respective regions supported by UK Film Council funding of £7.7 million, which includes £3.2 million in delegated Lottery funds. In addition, the UK Film Council co-operates and collaborates with Scottish Screen (for Scotland), the now dismantled Sgrŷn Cymru Wales (for Wales) and the Northern Ireland Film Commission on all aspects of film policy.

The final Lottery franchise agreement, with DNA Films Ltd, runs until July 2008. These agreements, set up by Arts Council England in 1997, have been managed by the UK Film Council since April 2000.

The UK Film Council's International Department continues to work to encourage overseas filmmakers to locate their production in the UK and is also developing the organisation's wider international strategy which encompasses the development of co-production, and the export promotion of British talent and services.

In addition to the funding received from the UK Film Council for ongoing activities, the British Film Institute (BFI) was allocated a further £1 million in the year as modernisation funding from the Department for Culture Media and Sport (DCMS). This was to assist in the ongoing re-structuring costs of the organisation, and was administered through the UK Film Council on behalf of the DCMS. In addition, the UK Film Council awarded the BFI a further £2 million capital funding towards the re-development of the BFI's NFT South Bank Centre.

The UK Film Council is committed to ensuring that equality and diversity are central to all strategies and activities, and continued its work in implementing the policies in its consultation report *Success through diversity and inclusion*. This publication, launched in November 2003, challenged the UK film sector to mainstream diversity in all areas: in the workforce, in on-screen portrayal and for all audiences.

Directors

The UK Film Council is constituted as a company limited by guarantee, the sole guarantee of £1 is provided by the Secretary of State for Culture, Media and Sport.

The governing body of the UK Film Council is the Board of Directors, which consists of a Chairman, Deputy Chairman and up to 13 other Directors. All Directors were appointed by the Secretary of State for Culture, Media and Sport and, unless stated below, remained Directors throughout the year. The Directors as at 31 March 2006 are as follows;

Stewart Till CBE, Chairman*
Andrew Eaton, Deputy Chairman

Colin Brown
Gurinder Chadha OBE
Mark Devereux*
Nigel Green

(retired by rotation and re-appointed 31.8.05)

Stephen Knibbs*
(retired by rotation and re-appointed 31.8.05)

Anthony Minghella CBE
Alison Owen
Heather Rabbatts CBE*
Marc Samuelson
Iain Smith*
David Sproxton CBE
Amanda Walsh
(appointed 8.3.06)

*Directors who have served on the Audit Committee in the year ending 31 March 2006.

In addition to the Directors opposite, Parminder Vir OBE served as Director until 31 August 2005 at which point she retired at the end of her appointment. Rebecca O'Brien was appointed to the Board on 3 April 2006.

Registered and principal office

The registered and principal office is 10 Little Portland Street, London W1W 7JG. The UK Film Council is a company limited by guarantee in England and Wales, registered number 3815052.

Auditors

Ernst & Young LLP, 1 More London Place, London SE1 2AF

The Comptroller and Auditor General
c/o National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

Internal auditors

AHL Business Assurance Ltd, 1 Park Place, Canary Wharf, London E14 4HJ

Solicitors

Withers, 16 Old Bailey, London EC4M 7EG

Bankers

Barclays Media Banking Centre, Soho Square, London W1A 4WA

Lloyds TSB Bank, 32 Oxford Street, London W1A 2LD

Directors' report for the year ended 31 March 2006

Results

The surplus for the year, after taxation, amounted to £9.09 million (2005: £21.28 million deficit).

Principal activity and review of the business

The UK Film Council is the Government body responsible for developing the film industry and film culture in the UK. The UK Film Council receives Grant-in-aid from the Department for Culture, Media and Sport (DCMS) and is one of the bodies designated to distribute funds under the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998).

The UK Film Council works at arm's length from government and has the status of a Non-Departmental Public Body. It is regulated in accordance with Financial Memoranda issued by the Secretary of State for Culture, Media and Sport and financial statements are prepared in accordance with the Accounts Direction which is available from the Company Secretary at 10 Little Portland Street, London W1W 7JG. Separate financial statements are also prepared for the Lottery fund.

Future developments and events since the balance sheet date

Following an invitation from the Department for Culture, Media and Sport, the UK Film Council has made a submission to its post-2009 Lottery consultation process.

Employment and training policies and staff participation

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

The UK Film Council 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 the UK Film Council's activities are discussed and staff are regularly briefed on the matters discussed at management and Board meetings. Staff meetings are held regularly and a recognition agreement is in place with Amicus/MSF fostering the best possible relationship with staff.

The UK Film Council seeks to ensure that the requirements of health and safety legislation are met in the workplace.

Better payment practice code

The UK Film Council 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. The average payment terms taken were 14 days (2005: 16) and 97% of undisputed invoices were paid within 30 days of receipt into the Finance Department (2005: 93%).

Annual general meeting

Elective resolutions are in force to allow, pursuant to s366A of the Companies Act 1985, the Company to dispense with holding annual general meetings in 2001 and subsequent years, and pursuant to s252 of the Companies Act 1985, to dispense with laying of financial statements and reports before the Company in annual general meetings.

Auditors

An elective resolution is in force pursuant to s386 of the Companies Act 1985, allowing the Company to dispense with the obligation to appoint auditors annually.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 31. Having made enquiries of fellow Directors and the company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By the order of the Board



Stewart Till CBE

Chair

28 September 2006

Statement of Directors' responsibilities in respect of the financial statements

Under its legislative framework the UK Film Council is required to prepare financial statements for the period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. The financial statements are to be prepared on an accruals basis and to show a true and fair view of the UK Film Council's state of affairs at the year-end and, of its income and expenditure and cash flows for the financial year.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the UK Film Council, and of the surplus or deficit of the UK Film Council for that period.

The Directors of the UK Film Council are required to:

- observe the Accounts Direction issued by the Secretary of State, which sets out accounting and disclosure requirements, and 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 UK Film Council will continue in operation.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the UK Film Council and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive Officer as Accounting Officer for the UK Film Council. The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the finances for which the Chief Executive Officer is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury.



John Woodward
Chief Executive Officer
28 September 2006



Stewart Till CBE
Chair
28 September 2006

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UK Film Council's policies, aims and objectives, whilst safeguarding the public funds and the UK Film Council's assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.

I also have responsibility, as defined in the UK Film Council's Funding Agreement and Management Statement and Financial Memorandum, for leading and managing the work of the UK Film Council to meet its objectives and upholding its values. I report to the Board of Directors of the UK Film Council.

The purpose of the system of internal control

The system of internal control is designed to manage to a reasonable level, rather than eliminate all 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 UK Film Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and 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 2006 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 I have overall responsibility for the UK Film Council's risk management framework, and am supported in its implementation by the Senior Management Team. Guidance is provided through the relevant decision approval processes.

The Audit Committee gives independent advice and guidance to me, in my role as Accounting Officer, and to the Board of Directors on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control at the UK Film Council and oversees the work of the internal auditors.

The risk and control framework

A risk management policy has been established setting out the UK Film Council's attitude to risk in the achievement of our objectives.

The UK Film Council has incorporated risk management in planning and decision making and maintains an organisation-wide risk register. Policy and operation risks are identified through our annual business planning cycle, and are evaluated by senior management and myself. Risk management and internal control are considered on a regular basis through the Senior Management Team's agenda and the risks identified are monitored and controlled through a system of key performance and risk indicators, which are reported through the Quarterly Performance Review process.

The work of the UK Film Council's Internal Audit service, which operates to standards defined in the Government Internal Audit Standards, is defined by an analysis of risk to which the UK Film Council is exposed and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the UK Film Council's Audit Committee and are approved by me.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior management within the UK Film Council 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. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and plan to address any weaknesses and ensure continuous improvement is in place.

In respect of risk management the responsibilities of the Senior Management Team are to:

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

The Board receives periodic reports from the Chairman of the Audit Committee and regular reports from managers on the steps taken to manage risks in their areas of responsibility, including progress reports on key activities and projects.

At regular intervals throughout the year, the Internal Auditors provide me with reports on the areas of activity within the UK Film Council subject to audit. The reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the UK Film Council's system of internal control during the report period together with recommendations for improvement.

I can confirm:

- the UK Film Council complies with our current financial directions;
- adequate audit arrangements, both internal and external, are in place to support me in reviewing the systems of internal control;
- adequate arrangements are in place to detect and respond to inefficiency, conflicts of interest and fraud and minimising losses of Lottery and Exchequer grant;
- the UK Film Council has drawn up and maintains risk assessment and control procedures and risk registers;
- the systems of internal control were fully operational in the year and that no weaknesses have been uncovered.



John Woodward
Chief Executive Officer and Accounting Officer
28 September 2006

Independent auditors' report to the Members of the UK Film Council from Ernst & Young LLP

We have audited the group and parent company financial statements (the "financial statements") of the UK Film Council for the year ended 31 March 2006 which comprises the group income and expenditure account, the group statement of total recognised gains and losses, the group and company balance sheets, the group cash flow statement, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Accounting Officer's statement on the system of internal control reflects the company's compliance with HM Treasury's guidance *Corporate Governance Statement on the System of Internal Control*, and we report if it does not. We are not required to consider whether the company's statement on its controls cover all risks and controls, or form an opinion on the effectiveness of either the company's corporate governance procedures or internal control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the foreword to the financial statements, statement on internal control, Schedule 1: Grant-in-Aid awards, and Schedule 2: Lottery awards. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

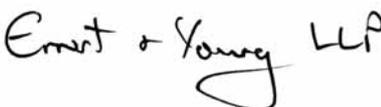
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group's and company'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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2006 and of the group's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the directors' report is consistent with the financial statements; and
- in all material respects the income and expenditure has been used for the purposes intended by Parliament and the financial activities conform to the authorities which govern them.



Registered auditor, London, 28 September 2006

Independent auditors' report to the Members of the UK Film Council from Ernst & Young LLP

Supplementary statement by the auditor

The maintenance and integrity of the UK Film Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UK Film Council

Group income and expenditure account for the year ended 31 March 2006

	NOTES	2005/06 £000	2004/05 £000
Group turnover	2	71,208	57,651
Awards			
– Grant-in-aid		(25,666)	(22,837)
– Lottery – non-film rights		(17,818)	(24,922)
– Arts Council England pre-committed expenditure		18	99
UK MEDIA Desk		(239)	(217)
International marketing		(1,374)	(1,408)
Research and Statistics Unit		(384)	(466)
Cost of sales		(493)	–
Provisions and amortisation			
– Provisions against film rights	3	(8,686)	(23,766)
– Provisions written back	3	372	1,540
– Amortisation of negative goodwill		–	1,551
Other operating expenses	4	(8,552)	(9,054)
		(62,822)	(79,480)
Operating surplus/(deficit)		8,386	(21,829)
Bank interest receivable		984	861
Notional cost of capital	8	(365)	(378)
Other financing income		7	22
		626	505
Surplus/(deficit) after notional costs		9,012	(21,324)
Reversal of notional cost of capital		365	378
Surplus/(deficit) on ordinary activities before taxation		9,377	(20,946)
Tax on surplus/(deficit) on ordinary activities for the year	9	(291)	(337)
Surplus/(deficit) for the year		9,086	(21,283)

UK Film Council

Group statement of total recognised gains and losses

	NOTES	2005/06 £000	2004/05 £000
Surplus/(deficit) for the year		9,086	(21,283)
Actual return less expected return on pension assets	7	563	83
Experience losses arising on the scheme liabilities	7	(22)	(315)
Changes in Financial Assumptions underlying the present values of the scheme liabilities	7	(614)	–
Actuarial loss in pension plan		(73)	(232)
Total recognised gains and losses in the year		9,013	(21,515)

UK Film Council

Group balance sheet as at 31 March 2006

	NOTES	2006 £000	2005 £000
Fixed assets			
Tangible assets	11	1,063	1,145
		1,063	1,145
Current assets			
Film rights	12	39,851	26,857
Debtors	13	18,039	20,162
Balance at the National Lottery Distribution Fund	14	39,130	44,780
Cash at bank and in hand	15	15,817	22,077
		112,837	113,876
Creditors: amounts falling due within one year			
Award commitments	17	(17,051)	(13,922)
Creditors	18	(4,848)	(17,195)
		(21,899)	(31,117)
Net current assets		90,938	82,759
Total assets less current liabilities		92,001	83,904
Creditors: amounts falling due after one year			
Commitments to filmmakers	17	(10,930)	(11,862)
Net assets excluding pension liability		81,071	72,042
Pension liability	7	(55)	(39)
Total assets less current liabilities		81,016	72,003
Capital and reserves			
General reserve	23	6,590	6,214
Pension reserve	23	(55)	(39)
Grant-in-aid reserve	23	2,294	5,754
Lottery reserve	23	72,187	60,074
		81,016	72,003



John Woodward, Chief Executive Officer
28 September 2006

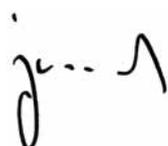


Stewart Till CBE, Chair
28 September 2006

UK Film Council

Company balance sheet as at 31 March 2006

	NOTES	2006 £000	2005 £000
Fixed assets			
Tangible assets	11	1,039	1,099
		1,039	1,099
Current assets			
Film rights	12	39,815	26,298
Debtors	13	18,058	20,169
Balance at the National Lottery Distribution Fund	14	39,130	44,780
Cash at bank and in hand	15	8,974	15,898
		105,977	107,145
Creditors: amounts falling due within one year			
Award commitments	17	(17,051)	(13,922)
Creditors	18	(4,554)	(16,632)
		(21,605)	(30,554)
Net current assets		84,372	76,591
Total assets less current liabilities		85,411	77,690
Creditors: amounts falling due after one year			
Commitments to filmmakers	17	(10,930)	(11,862)
Net assets excluding pension liability		74,481	65,828
Pension liability	7	(55)	(39)
Total assets less current liabilities		74,426	65,789
Capital and reserves			
Pension reserve	23	(55)	(39)
Grant-in-aid reserve	23	2,294	5,754
Lottery reserve	23	72,187	60,074
		74,426	65,789



John Woodward, Chief Executive Officer
28 September 2006



Stewart Till CBE, Chair
28 September 2006

UK Film Council

Group statement of cashflows for the year ended 31 March 2006

	NOTES	2005/06 £000	2004/05 £000
Net cash (outflow)/inflow from operating activities	5	(6,760)	2,745
Returns on investments and servicing of finance			
Bank interest received		943	891
Taxation			
Tax paid		(320)	(291)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(123)	(76)
(Decrease)/increase in cash	15	(6,260)	3,269

Reconciliation of net cash flow to movement in net funds

	NOTES	2005/06 £000	2004/05 £000
(Decrease)/increase in cash		(6,260)	3,269
Change in net funds resulting from cashflows	15	(6,260)	3,269
Net funds at 1 April		22,077	18,808
Net funds at 31 March	15	15,817	22,077

Notes to the financial statements

Note 1: Accounting policies

a) Basis of preparation

These financial statements are prepared under the modified historical cost convention.

The financial statements have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, and they meet the requirements of the Companies Acts 1985 and in accordance with applicable Accounting Standards, except that certain headings have been amended in order to reflect special circumstances of the company, and in the case of the treatment of hard and soft commitments, the requirements of the National Lottery etc. Act 1993 have been followed.

In accordance with the directions issued by the Secretary of State for Culture, Media and Sport, financial statements have also been prepared for the UK Film Council Lottery distribution fund.

A copy of the Accounts Direction is available from the Company Secretary, UK Film Council, 10 Little Portland Street, London W1W 7JG.

b) Basis of consolidation

The group financial statements consolidate the financial statements of the UK Film Council and all its subsidiary undertakings drawn up to 31 March 2006. An income and expenditure account is not presented for the UK Film Council as permitted by section 230 of the Companies Act 1985.

c) Goodwill

On the acquisition of British Screen Finance Limited, the fair value of the separable net assets exceeded the fair value of the consideration. The difference was treated as negative goodwill and was capitalised and released through the income and expenditure account. The negative goodwill arose substantially from recoverable loans to filmmakers and was released over a five year period from 1 April 2000, the date of effective control, to match the period of expected loan recoupment.

d) Accruals convention

Income and expenditure is accounted for on a receivable basis, except for recoupment income which is accounted for upon notification of amounts due to the UK Film Council, and commitments which are reported as per the National Lottery Act 1993.

As required by the Secretary of State, a distinction is made in respect of Lottery awards between 'hard commitments' and 'soft commitments'. Where the UK Film Council has made a firm offer of a grant, which, together with the relevant conditions, has been accepted by the recipient, the award is accounted for as a 'hard commitment'. Where the UK Film Council has agreed in principle to fund a scheme and made an offer, but the offer has not been accepted and the associated conditions precedent met, the award is accounted for as a 'soft commitment'. Hard commitments are recognised in the financial statements whereas soft commitments are recognised by way of note.

Hard commitments payable within one year of the balance sheet date are recognised in the balance sheet as current liabilities. Those payable more than one year from the balance sheet date are shown as commitments to filmmakers payable over more than one year. Commitments for future years have been entered into taking into account income forecasts provided by the Department for Culture, Media and Sport. These forecasts take a prudent view of future income.

e) Other Lottery awards

Lottery awards other than those for film rights are taken in full to the income and expenditure account in the year in which the hard commitment is recognised.

f) Depreciation and fixed assets

Depreciation is provided on all tangible fixed assets calculated at rates to write off the cost less estimated residual value of each asset systematically on a straight line basis over its expected useful life as follows:

Leasehold improvements: over the life of the lease;
IT and office equipment: over four years.

The carrying values of tangible fixed assets are reviewed for impairment in the period if events or changes in circumstances indicate the carrying value may not be recoverable.

g) National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. The share of these balances attributable to the UK Film Council is as shown in the financial statements and, at the balance sheet date, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by the UK Film Council in respect of current and future commitments. The amount attributable to the UK Film Council has been treated as income within these financial statements.

h) Film rights

Film rights represent loans paid and advances paid and payable to filmmakers and are included in the balance sheet, with provisions raised against the value of an advance to the extent that full repayment is not expected.

All advances to filmmakers are repayable under certain conditions. Where a feature film made with the assistance of the UK Film Council is successfully released, the UK Film Council is entitled to participate in revenues generated by that success, securing repayment of the investment in full, together with a share of the profits generated by the film.

Provisions are made to the extent that full repayment of an advance, through actual receipts and the value of future estimated receipts, is considered doubtful. Advances for development and short film awards are fully provided against in the year of award unless there is a reasonable expectation of repayment. Provisions against film rights shown in the income and expenditure account reflect the net effect of these movements.

Proceeds from sales of film rights are shown as income, with associated acquisition costs shown as cost of sales, in the income and expenditure account.

i) Film recoupment income

Income received from a film right is offset against the value of the right on the balance sheet. Income in excess of the original value of the right is taken to the income and expenditure account as film recoupment income.

All income received from the rights in the portfolio of films transferred from Arts Council England is taken directly to the income and expenditure account as these rights are recognised on the UK Film Council balance sheet at zero value. This reflects Arts Council England's accounting policy to write off the value of all advances in the year of award and the fact that no consideration was paid for this transfer by the UK Film Council.

j) Grant-in-aid awards

Grant-in-aid awards are taken to the income and expenditure account in the year in which the award is made.

k) Notional cost of capital

A notional cost of capital charge is shown in the income and expenditure account in accordance with Treasury guidance. The charge is subsequently reversed in the income and expenditure account so a provision is not made in the balance sheet.

l) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

continued

m) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income and expenditure account.

n) Leasing commitments

Rentals payable under operating leases are charged in the income and expenditure account on a straight-line basis over the lease term.

o) Pensions

The UK Film Council is an admitted body of the Local Government Pension Scheme, which operates a defined benefit scheme for those UK Film Council employees who wish to join. It is a statutory, funded pension scheme and its benefits are defined and guaranteed in law. The scheme is administered by the London Pension Fund Authority, a statutory body established on 31 October 1989, responsible to the Mayor of London and accountable to Parliament and the Greater London Authority for its actions. The scheme is contributory for both employee and employer. Employer contributions are determined by a qualified actuary on the basis of quadrennial valuations using the projected unit method.

The UK Film Council complies with FRS 17, under which the defined benefit scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged against operating profit. The expected return on the scheme's

assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time, are included in finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The company recognises an asset in respect of any surplus, being the excess of the value of the assets in the scheme over the present value of the scheme's liabilities only to the extent that it is able to recover the surplus. Any deficit is likewise recognised as a liability on the balance sheet.

Independent actuaries prepare full valuations of the defined benefit scheme at least every four years in line with public sector guidance, and perform updates based on the most recent full valuation on an annual basis.

p) Financial instruments

The group's principal financial instruments are cash and holdings in the National Lottery Distribution Fund. The group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

Note 2: Turnover

Comprises:	2005/06 £000	2004/05 £000
UK Film Council Lottery funding		
Share of proceeds	28,110	27,581
Net investment income from the National Lottery Distribution Fund	2,205	2,289
Delegated Funds – Arts Council England	12,013	916
Recoupment income		
– UK Film Council portfolio	2,388	416
– Arts Council England portfolio	573	444
Other income	235	144
	45,524	31,790

UK Film Council Grant-in-aid funding

Voted by Parliament and paid in full	24,110	24,910
Other income	710	330
	24,820	25,240

British Screen Finance Group income

Sales of film rights	95	29
Interest received from film loans	62	70
Recoupment income	476	326
Fees receivable	231	196
	864	621

Total turnover **71,208** **57,651**

Turnover represents the amount derived from the provision of services which fall within the group's continuing ordinary activities, stated net of Value Added Tax. The group's turnover originates wholly within the United Kingdom.

Note 3: Provisions against film rights

	2005/06 £000	2004/05 £000
Provisions made		
British Screen Finance loans	319	203
European Co-production Fund loans	199	113
UK Film Council film awards	8,168	23,450
	8,686	23,766

Provisions written back

British Screen Finance loans	118	108
National Film Finance Corporation loans	44	48
European Co-production Fund loans	35	67
UK Film Council film awards	–	737
	197	960
British Screen Rights licence fees	175	580
	372	1,540

Note 4: Other operating expenses

This is stated after charging:

	2005/06 £000	2004/05 £000
Depreciation	205	198
Auditor's remuneration – AHL Ltd (internal audit)	20	20
Auditor's remuneration – Ernst & Young LLP (audit associated costs)	14	15
Auditor's remuneration – Ernst & Young LLP (non audit associated costs)	17	16
Auditor's remuneration – National Audit Office (National Lottery audit)	18	16
Operating lease rentals – land and buildings	526	429
Pensions service cost	413	254

Notes to the financial statements continued

Note 5: Statement of cash flows

Reconciliation of operating surplus/(deficit) to net cash flows from operating activities:

	2005/06 £000	2004/05 £000
Operating surplus/(deficit)	8,385	(21,829)
Depreciation	205	198
Amortisation of negative goodwill	–	(1,551)
Provision of losses on loans	8,686	23,766
Provisions written back	(372)	(960)
Loans advanced	(36,566)	(22,474)
Decommitments	1,047	402
Receipts from loans	14,036	7,919
Decrease/(increase) in debtors	7,810	(15,912)
Non cash pension STRGL movement	(73)	(232)
(Increase)/decrease in creditors	(9,918)	33,418
Net cash (outflow)/inflow from operating activities	(6,760)	2,745

Note 6: Staff costs

Directors' remuneration (including daily allowances) is:

	2005/06 £	2004/05 £
Colin Brown	1,428	2,174
Andrew Eaton (appointed 20.10.04)	1,830	1,386
Alison Owen (appointed 20.10.04)	2,040	990
Sarah Radclyffe (retired 31.8.04)	–	990
Marc Samuelson (appointed 20.10.04)	1,836	1,386
David Sproxton CBE (appointed 20.10.04)	2,856	396
Parminder Vir OBE (retired 31.8.05)	1,014	2,178
	11,004	9,500

The costs of all other staff working within the UK Film Council were:

	2005/06 £000	2004/05 £000
Wages and salaries	4,559	4,530
Social Security costs	462	445
Pension service costs and other pension costs	493	330
	5,514	5,305

The average monthly number of staff employed during the year was:

	2005/06 NO.	2004/05 NO.
Management and administration	90	90

The remuneration of the Chief Executive Officer was:

	2005/06 £	2004/05 £
John Woodward (Age: 45)		
Salary and benefits	141,030	133,429
Bonus	42,772	43,365
Total	183,802	176,794
Pension contribution	22,565	21,349

Note 6: Staff costs continued

Salary and entitlements of senior staff members of the UK Film Council are as follows:

	AGE	TOTAL REMUNERATION YEAR ENDED 2005/06 £000	PENSION ACCRUED AT 65 AS AT MARCH 2006 £000	INCREASE TO PENSION ACCRUED 2005/06 £000	TOTAL REMUNERATION YEAR ENDED 31 MARCH 2005 £000
Will Evans Head of Business Affairs	51	145-150	–	–	140-145
Steve Norris British Film Commissioner	48	135-140	7.5-10	0-2.5	135-140
Paul Trijbits Head of New Cinema Fund	44	135-140	7.5-10	0-2.5	120-125
Peter Buckingham Head of Distribution & Exhibition	50	130-135	2.5-5	0-2.5	115-120
Sally Caplan Head of Premiere Fund (appointed 29.4.05)	48	130-135	–	–	–
Jenny Borgars Head of Development Fund	35	105-110	5-7.5	0-2.5	105-110
Alan Bushell Chief Operating Officer	55	105-110	5-7.5	0-2.5	105-110
Iain Hepplewhite Head of Communications (to 30.7.05)	38	35-40	–	–	90-95
Lisa Tremble Head of Communications (appointed 1.1.06)	31	20-25	0-2.5	0-2.5	–

Pension contributions during the year were to a money purchase occupational scheme for John Woodward and to private pension schemes for Sally Caplan and Will Evans.

Otherwise pension payments are to the Local Government Pension Scheme of which the UK Film Council is a member. Pension benefits accrue as a result of the period of employment at the UK Film Council and

are payable on retirement. The scheme also provides for lump sum payments on retirement of three times final pension.

A number of Directors and employees have interests in award applications which have been fully disclosed in note 26.

Note 7: Pensions benefits

The UK Film Council is an admitted body of the Local Government Pension Scheme, which operates a defined benefit scheme for those UK Film Council employees who wish to join. It is a statutory, funded pension scheme and its benefits are defined and guaranteed in law. The scheme is administered by the London Pensions Fund Authority, a statutory body established on 31 October 1989, responsible to the Mayor of London and accountable to Parliament and the Greater London

Assembly for its actions. The scheme is contributory for both employee and employer. Employer contributions are determined by a qualified actuary on the basis of periodic valuations using the projected unit method.

The contributions to the defined benefit scheme were £0.4 million in the year to 31 March 2006 (2005: £0.3 million), all relating to current service costs.

Notes to the financial statements continued

Note 7: Pensions benefits (continued)

FRS 17 Disclosure

All public bodies have to account in full for pensions benefits under the disclosure requirements of FRS 17. Therefore as at 31 March 2006, a pensions liability of £0.55 million is disclosed on the UK Film Council balance sheet (2005: £0.39 million liability).

For FRS 17 disclosure the valuation at 31 March 2006 had been updated by the actuaries Hymans Robertson to assess the liabilities of the scheme as at 31 March 2006.

Scheme assets are stated at their market value as at 31 March 2006 and the assets and liabilities of the London Pensions Fund Authority and the expected rate of return as at 31 March 2006 are:

ASSETS (WHOLE FUND)	LONG TERM RETURN % PER ANNUM	FUND VALUE AT 31 MARCH 2006 £	EXPECTED RETURN PER ANNUM £
Equities	7.3%	1,296,100	94,615
Bonds	6.0%	391,600	23,496
Property	6.5%	242,400	15,756
Cash	4.6%	126,300	5,809
		2,056,400	139,676

At 31 March 2005 the expected rates of return were:

ASSETS (WHOLE FUND)	LONG TERM RETURN % PER ANNUM	FUND VALUE AT 31 MARCH 2005 £	EXPECTED RETURN PER ANNUM £
Equities	7.7%	1,215,800	93,617
Bonds	4.8%	166,500	7,992
Property	5.7%	109,800	6,259
Cash	4.8%	51,700	2,482
		1,543,800	110,350

At 31 March 2004 the expected rates of return were:

ASSETS (WHOLE FUND)	LONG TERM RETURN % PER ANNUM	FUND VALUE AT 31 MARCH 2004 £	EXPECTED RETURN PER ANNUM £
Equities	7.7%	1,137,200	87,564
Bonds	5.1%	173,400	8,843
Property	6.5%	52,000	3,380
Cash	4.0%	21,900	876
		1,384,500	100,663

The main assumptions are:

	31 MARCH 2006 % PER ANNUM	31 MARCH 2005 % PER ANNUM	31 MARCH 2004 % PER ANNUM
Price increases	3.1%	2.9%	2.9%
Salary increases	4.6%	4.4%	4.4%
Pension increases	3.1%	2.9%	2.9%
Discount rate	6.0%	6.5%	6.5%

Note 7: Pensions benefits (continued)

Net pension assets for the UK Film Council:

	31 MARCH 2006 £000	31 MARCH 2005 £000
Estimated UK Film Council share of the assets	4,656	3,207
Present value of scheme liabilities attributable to the UK Film Council	(4,711)	(3,246)
Total value of liabilities	(4,711)	(3,246)
Net pension liability attributable to UK Film Council	(55)	(39)

Analysis of the amount charged to operating surplus:

	31 MARCH 2006 £000	31 MARCH 2005 £000
Service cost	413	254
Total operating charge	413	254

Analysis of the amount credited to other financial income:

	31 MARCH 2006 £000	31 MARCH 2005 £000
Expected return on employer assets	248	126
Interest on pension scheme liabilities	(241)	(104)
Net return	7	22
Net revenue account cost	406	232

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

The actuarial loss as disclosed in the statement of total recognised gains and losses is as follows:

	31 MARCH 2006 £000	31 MARCH 2005 £000
Actual return less expected return on pension assets	563	83
Experience losses arising on the scheme liabilities	(22)	(315)
Changes in financial assumptions underlying the present value of the scheme liabilities	(614)	-
Actuarial loss in pension plan and STRGL	(73)	(232)

Movement in surplus/ (deficit) during the year

	31 MARCH 2006 £000	31 MARCH 2005 £000
(Deficit)/surplus at beginning of year	(39)	117
Current service cost	(413)	(254)
Employer contributions	463	308
Net return on assets	7	22
Actuarial losses	(73)	(232)
Deficit at end of year	(55)	(39)

Notes to the financial statements continued

Note 7: Pension benefits (continued)

History of experience gains and losses

	31 MARCH 2006 £000	31 MARCH 2005 £000
Difference between the expected and actual return on assets	563	83
Value of assets	4,656	3,207
Percentage of assets	12%	2.6%
Experience losses on liabilities	(22)	(315)
Present value of liabilities	4,711	3,246
Percentage of the present value of liabilities	(0.5%)	(9.7%)
Actuarial (losses)/gains recognised in STRGL	(73)	(232)
Present value of liabilities	4,711	3,246
Percentage of the present value of liabilities	(1.5%)	(7.1%)

Note 8: Notional cost of capital

Notional cost of capital is calculated, on the advice of HM Treasury, on the average net assets employed in the year, excluding the balances in the National Lottery Distribution Fund, film rights and the matching Lottery award liabilities. The interest on DCMS grant assets was 3.5% (2005: 3.5%) and Lottery assets 0% (2005: 0%).

Note 9: Taxation

	2005/06 £000	2004/05 £000
Corporation tax payable for current year	291	337
	291	337

The tax assessed for the year varies from the standard rate of corporation tax in the UK (30%). This is because the UK Film Council and European Co-Production Fund Ltd are taxed solely on interest receivable, while the remaining companies within the British Screen Group are taxable on their full trading activities.

The differences are explained below:

	2005/06 £000	2004/05 £000
Surplus/(deficit) on ordinary activities before taxation	9,376	(20,946)
Surplus/(deficit) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2005: 30%)	2,813	(6,284)
Effects of:		
UK Film Council surplus not chargeable to UK corporation tax	(2,492)	6,427
Adjustment regarding British Screen Finance group	(30)	194
Current tax charge for the year	291	337

Note 10: Intangible fixed assets

	GOODWILL £000
Cost:	
At 1 April 2005 and 31 March 2006	(7,759)
Amortisation:	
At 1 April 2005 and 31 March 2006	7,759
Net book value:	
At 1 April 2005	–
At 31 March 2006	–

Note 11: Tangible fixed assets

GROUP	SHORT LEASEHOLD IMPROVEMENTS £000	IT EQUIPMENT £000	OFFICE EQUIPMENT £000	TOTAL £000
Cost:				
At 1 April 2005	1,558	454	371	2,383
Additions	2	116	5	123
Disposals	–	(20)	–	(20)
At 31 March 2006	1,560	550	376	2,486

Depreciation:				
At 1 April 2005	542	351	345	1,238
Charge for the year	112	79	14	205
Disposals	–	(20)	–	(20)
At 31 March 2006	654	410	359	1,423

Net book value:				
At 1 April 2005	1,016	103	26	1,145
At 31 March 2006	906	140	17	1,063

COMPANY

Cost:				
At 1 April 2005	1,467	389	351	2,207
Additions	2	114	5	121
At 31 March 2006	1,469	503	356	2,328

Depreciation:				
At 1 April 2005	475	304	329	1,108
Charge for the year	99	69	13	181
At 31 March 2006	574	373	342	1,289

Net book value:				
At 1 April 2005	992	85	22	1,099
At 31 March 2006	895	130	14	1,039

Notes to the financial statements continued

Note 12: Film rights

GROUP	BRITISH SCREEN FINANCE LIMITED £000	EUROPEAN CO-PRODUCTION FUND LIMITED £000	UK FILM COUNCIL £000	TOTAL £000
At 1 April 2005	358	201	26,298	26,857
Advances	–	–	36,566	36,566
Repayments	(166)	(35)	(13,835)	(14,036)
Decommitments	–	–	(1,047)	(1,047)
Provisions written back	162	35	1,799	1,996
Provisions	(319)	(200)	(9,966)	(10,485)
At 31 March 2006	35	1	39,815	39,851

COMPANY	UK FILM COUNCIL £000
At 1 April 2005	26,298
Advances	36,566
Repayments	(13,835)
Decommitments	(1,047)
Provisions written back	1,799
Provisions	(9,966)
At 31 March 2006	39,815

Repayment of outstanding film rights is dependant upon a number of factors including the performance of the films at the box office and in ancillary markets. For these reasons it is not possible to state when the loans will be repaid.

Note 13: Debtors

GROUP	2006 £000	2005 £000
Trade debtors	71	49
Prepayments and accrued income	2,427	3,853
VAT receivable	768	1,037
Other debtors	5,863	8,363

Debtors falling due after more than one year

Other debtors	8,910	6,860
	18,039	20,162

COMPANY	2006 £000	2005 £000
Due from subsidiary undertakings	155	122
Prepayments and accrued income	2,394	3,835
VAT receivable	753	1,036
Other debtors	5,846	8,316

Debtors falling due after more than one year

Other debtors	8,910	6,860
	18,058	20,169

Included in other debtors for both group and company is a sum of £13.23 million representing the balance of the delegated funds from Arts Council England. Funds will be drawn down to meet award cash requirements under the delegation and it is expected that £8.91 million of this will fall due after 31 March 2007.

Note 14: Balance at National Lottery Distribution Fund

The movement in balances held at the National Lottery Distribution Fund is:

	2006 £000	2005 £000
Opening balance held at the National Lottery Distribution Fund	44,780	44,280
Income received from the Lottery	28,110	27,581
Investment income earned	2,205	2,289
Available for distribution	75,095	74,150
Cash drawn down	(35,965)	(29,370)
Market value at 31 March 2005	39,130	44,780

At 31 March 2006, the cost of the investment of the fund was £39.4 million (2005: £44.95 million). Income received from the Lottery shown above is after charging unrealised losses of £0.27 million (2005: £0.17 million).

The funds are invested on behalf of the National Lottery Distribution Fund by the National Debt Commissioners. The UK Film Council'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 UK Film Council 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.

The UK Film Council has published its plans for the period 2004-07. The plan assumes the UK Film Council will continue to make the level of commitments in each year at similar levels to its first three year plan. As a consequence the UK Film Council will make commitments in excess of its Lottery income and this will reduce cash balances over this period. Due to the levels of recoupment received by the UK Film Council in 2005/06, the National Lottery Distribution Fund balance is now expected to fall below £10 million by March 2008 and the position will be closely monitored to ensure overtrading does not occur.

Notes to the financial statements continued

Note 15: Cash and liquid resources

GROUP	1 APRIL 2005 £000	NET CASH FLOW £000	31 MARCH 2006 £000
Cash at bank and in hand	22,077	(6,260)	15,817
COMPANY			
Cash at bank and in hand	15,898	(6,924)	8,974

Note 16: Financial risks

FRS 13 Derivatives and other financial instruments, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the UK Film Council faces in undertaking its role.

Liquidity risks

In 2006, £28.1 million (39%) (2005: £27.6 million, 47%) of the UK Film Council's income was derived from the National Lottery. £24.11 million (33%) arose from Grant-in-aid funding allocated by the Department for Culture, Media and Sport (2005: £24.91 million, 42%). The remaining income was derived from investment returns from the balance held with the National Lottery Distribution Fund £2.2 million (3%) (2005: £2.29 million, 4%); delegated income from Arts Council England £12.0 million (17%) (2005: £0.92 million, 2%); recoupment income from film rights £2.96 million (4%) (2005: £0.86 million, 2%); income arising from British Screen Group £0.86 million (1%) (2005: £0.62 million, 1%); and bank interest and sundry income £1.92 million (3%) (2005: £1.34 million, 3%).

The Board considers that as the National Lottery Distribution Fund balance notified by the Secretary of State for Culture, Media and Sport and the UK Film Council's own Lottery cash holding amount to £46.36 million at the balance sheet date (2005: £55.03 million), sufficient liquid resources are available to cover all current hard and soft commitments totalling £37.35 million (2005: £50.24 million) and any related creditors. In addition, the year end cash balances not attributable to Lottery of £9.27 million (2005: £11.83 million) are deemed sufficient to cover remaining creditors.

Interest rate risks

The UK Film Council's largest financial asset is retained in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. Neither the UK Film Council nor its Board has any control over these investments. The interest rate risks in respect of these financial assets are disclosed in the financial statements of the National Lottery Distribution Fund. At the year end, the market value of the Council's investment in the National Lottery Distribution Fund was £39.13 million (2005: £44.78 million) and the average investment return for the year was 4.73% (2005: 5.1%).

Cash drawn down from the Grant-in-aid allocation held at the Department for Culture Media and Sport or from the National Lottery Distribution Fund, 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 5.0% (2005: 4.2%). The group cash balance at the year-end was £15.82 million (2005: £22.08 million). The Board considers that in respect of these funds the UK Film Council is not exposed to significant interest rate risks.

Foreign currency risk

The UK Film Council's financial assets are not exposed to material foreign exchange risks, as long-term balances are held in sterling.

Note 17: Soft and hard commitments

SOFT COMMITMENTS	2006 £000	2005 £000
Brought forward at 1 April	24,458	23,388
Commitments made	42,303	50,665
Transferred back from hard commitments	332	254
Soft decommitments	(3,294)	(2,302)
Transferred to hard commitments	(54,424)	(47,547)
Balance carried forward at 31 March	9,375	24,458

HARD COMMITMENTS		
Brought forward at 1 April	25,784	5,931
Commitments made	54,424	47,547
Hard decommitments	(775)	(402)
Transferred to soft commitments	(332)	(254)
Amounts paid	(51,120)	(27,038)
Balance carried forward at 31 March	27,981	25,784

Soft decommitments arise when an offer of an award approved by the UK Film Council falls in before the award is accepted by the recipient organisation.

Of the £9.38 million soft commitments as at 31 March 2006, £0.5 million is the outstanding element relating to the franchise agreement with DNA Films Ltd (2005: £14 million). The franchise agreement was established by Arts Council England in 1997 and transferred to the UK Film Council in April 2000.

New hard commitments made during the year comprise:

	2006 £000	2005 £000
Film rights	36,565	22,471
Film Skills Fund	–	18,705
Regional awards	3,200	3,200
Distribution and exhibition awards	13,485	1,603
First Light award	1,100	1,000
Training awards	6	489
Publication awards	68	79
	54,424	47,547

The Film Skills Fund commitment is the delegation to Skillset Ltd – the Sector Skills Council for the audiovisual industries, to administer the provision of funded training activities on behalf of the UK Film Council until March 2007. On commencement of this delegation in April 2004, the UK Film Council training fund was subsumed into this and therefore ceased to make awards.

Regional awards are the delegated sum to the nine Regional Screen Agencies created under the Regional Investment Fund for England (RIFE).

Ageing of hard commitments:

	2006 £000	2005 £000
2005/06	–	13,922
2006/07	17,051	9,362
2007/08	5,310	2,500
2008/09	2,810	–
2009/10	2,810	–
	27,981	25,784

It is expected that all outstanding hard commitments as at 31 March 2006 will be fully paid by 31 March 2010, and commitments due after one year relate to the Digital Screen Network and development slate awards.

Notes to the financial statements continued

Note 18: Creditors: amounts falling due within one year

GROUP	2006 £000	2005 £000
Trade creditors	834	658
Accruals and deferred income	3,514	16,051
Corporation tax	291	352
Other creditors and Social Security	209	134
	4,848	17,195
COMPANY		
Trade creditors	706	408
Accruals and deferred income	3,476	15,957
Corporation tax	172	143
Other creditors and Social Security	200	124
	4,554	16,632

Deferred income included above of £2.1 million represents the balance of the £15 million delegated funds due from Arts Council England that has not become a hard commitment through awards by the UK Film Council.

Note 19: Deferred taxation

The group had no potential liability to deferred taxation at 31 March 2006 (31 March 2005: £nil)

Note 20: Leases

As at 31 March 2006, the UK Film Council (non-Lottery) had annual commitments under a non-cancellable operating lease relating to land and buildings as set out below:

	2006 £000	2005 £000
Operating lease which expires within one year	110	–
Operating lease which expires in between two to five years	–	110
Operating lease which expires in over five years	315	315

Note 21: Capital commitments

As at 31 March 2006, the UK Film Council had no capital commitments outstanding (31 March 2005: £nil).

Note 22: Grant-in-aid commitments for future years

The majority of the Grant-in-aid allocation voted annually to the UK Film Council by Parliament is passed into the film sector by means of awards and grants within the relevant financial year. However, in some cases, to enable recipient organisations to undertake longer term business and financial planning, commitments are made at an earlier date, subject to the receipt of funding by the UK Film Council itself.

As at 31 March 2006, the UK Film Council had Grant-in-aid commitments for 2006/07 as follows:

British Film Institute	£16,000,000
Regional and national awards	£4,745,000

Note 23: Movements in reserves

GROUP	GENERAL RESERVE £000	PENSION RESERVE £000	GRANT-IN-AID RESERVE £000	LOTTERY RESERVE £000	TOTAL £000
Brought forward at 1 April 2005	6,214	(39)	5,754	60,074	72,003
Surplus/(deficit) for the year	376	57	(3,460)	12,113	9,086
Movements on the STRGL					
Actuarial loss in pension plan	–	(73)	–	–	(73)
Carried forward at 31 March 2006	6,590	(55)	2,294	72,187	81,016
COMPANY					
Brought forward at 1 April 2005		(39)	5,754	60,074	65,789
Surplus/(deficit) for the year		57	(3,460)	12,113	8,710
Movements on the STRGL					
Actuarial loss in pension plan		(73)	–	–	(73)
Carried forward at 31 March 2006		(55)	2,294	72,187	74,426

Reserves reflect the different income and expenditure streams of the organisation. All of these reserves are unrestricted.

The General Reserve represents the reserves upon consolidation of the subsidiary companies forming British Screen Group, within UK Film Council Ltd.

Notes to the financial statements continued

Note 24: Investments

The UK Film Council's subsidiary undertaking at 31 March 2006 was:

	ORDINARY SHARES OF £1 EACH	HOLDING
British Screen Finance Ltd	4,200,078	100%

As the subsidiary was acquired by the UK Film Council at a cost of £8, there is no carrying value of the investment recorded on the balance sheet.

British Screen Finance Ltd is a company that manages a current and historic portfolio of investments in commercial film development and production. British Screen Finance Ltd, in addition, holds the following investments:

SUBSIDIARY UNDERTAKINGS	ORDINARY SHARES OF £1 EACH	HOLDING
National Film Trustee Company Ltd	100	100%
National Film Finance Consortium Ltd	100	100%
European Co-production Fund Ltd	2	100%
British Screen Rights Ltd	2	100%
The Greenlight Fund Ltd	2	100%

SUBSIDIARY UNDERTAKINGS		
British Film-Makers Ltd	50	50%

National Film Trustee Company Ltd is a collection agency for film revenues.

National Film Finance Consortium Ltd is a dormant company.

The European Co-production Fund Ltd is a company that makes loans to films produced by European co-producers.

British Screen Rights Ltd acquires and sells rights in feature films.

The Greenlight Fund Ltd managed the investment of some National Lottery proceeds into feature films on behalf of Arts Council England.

British Film-Makers Ltd collects and distributes film revenues on behalf of British Screen Finance Ltd and third parties. Its results are not material to the group.

Note 25: Intra-government balances

As at 31 March, the following intra-government balances were in existence.

Balances due to the UK Film Council:

	2005/06 £000	2004/05 £000
Funds held at the National Lottery Distribution Fund	39,129	44,780
Funds held at Arts Council England	13,234	15,000
Funds due from HM Revenue and Customs re VAT	768	1,037

Balances due from the UK Film Council:

Balance due to HM Revenue and Customs re Corporation Tax	291	352
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Note 26: Related parties

The UK Film Council maintains a publicly available register of Board Directors' interests. Board Directors declare any direct interest in award applications made to, and commercial relationships with, the UK Film Council. They exclude themselves from the relevant application appraisal discussion and decision process within UK Film Council.

During the year the group entered into transactions, in the ordinary course of business, with related parties. Grant-in-aid awards are written off in the year of award in accordance with the group's accounting policy. National Lottery awards are included in film rights at the balance sheet date.

The following related party transactions occurred during the period:

Lottery awards

ORGANISATION	NAME	RELATIONSHIP TO RECIPIENT ORGANISATION	NEW AWARD 2005/06 £	AWARD OUTSTANDING 31 MARCH 2006 £
Directors of UK Film Council				
Bend It Films Ltd	Gurinder Chadha OBE (Paul Burgess, Gurinder Chadha's husband, is also a director of Bend It Films Ltd)	Director	71,918	18,668
British Film Institute	Anthony Minghella CBE	Chair	55,700	42,721
Capitol Films Ltd	Marc Samuelson	Non-Executive Director	–	985,078
Carlton TV Ltd	Parminder Vir OBE	Employee	2,000	2,000
CFF Enterprises Ltd	Iain Smith	Director	–	10,744
Domino Pictures Ltd	Alison Owen	Director	–	762,903
Everyman Cinema Club	Anthony Minghella CBE	Committee Member	48,750	48,750
Go Go Pictures Ltd	Alison Owen	Director	–	37,500
Revolution Films Ltd	Andrew Eaton	Director	17,740	–
Samuelson Bertie Ltd	Marc Samuelson	Director	300,000	172,500
Samuelson Productions Ltd	Marc Samuelson	Director	–	15,937
Scarlet Pictures Ltd	Alison Owen	Director	–	11,750
The Script Factory	Anthony Minghella CBE	Board Member	–	2,876
Seven Seas (SL) Ltd	Alison Owen	Director	650,000	65,000
Skillset	Stewart Till CBE Parminder Vir OBE Anthony Minghella CBE	Deputy Chair Patron Advisory Board Member	–	5,753,964
Snow Cake Film Ltd	Andrew Eaton	Director	100,000	41,250
Vue Entertainment Holdings (UK) Ltd	Stephen Knibbs	Chief Operating Officer	2,054,762	1,910,477
Employees of the UK Film Council				
Glasgow Media Access Centre	Alice Stillgoe	Family member/employee	50,000	5,000
Skillset	John Woodward	Director	–	5,753,964

Notes to the financial statements continued

Note 26: Related parties continued

Grant-in-aid awards

ORGANISATION	NAME	RELATIONSHIP TO RECIPIENT ORGANISATION	NEW AWARD 2005/06 £	AWARD OUTSTANDING 31 MARCH 2006 £
Directors of the UK Film Council				
British Film Institute	Anthony Minghella CBE	Chair	*19,033,658	–
Production Guild of Great Britain	Iain Smith	Vice President	1,981	–
Scottish Screen	Iain Smith	Director	45,000	–
UK Post	Colin Brown	Chair	10,000	–
Women in Film and Television	Anthony Minghella CBE	Patron	5,500	–
Employees of the UK Film Council				
British Screen Advisory Commission	Steve Norris	Member	10,000	–
	John Woodward	Member		

* Includes £1,000,000 modernisation award made directly by the Department for Culture, Media and Sport and handled by the UK Film Council on their behalf and £2,000,000 contribution towards the capital re-development of the BFI South Bank.

In addition, £365,206 was paid to Olswangs Solicitors for professional services rendered in the year. Mark Devereux is a Senior Partner in this firm.

The UK Film Council is constituted as a company limited by guarantee, the sole guarantee of £1 is provided by the Secretary of State for Culture, Media and Sport and the UK Film Council is sponsored by this department.

Schedules to the financial statements

Schedule 1: Grant-in-aid awards in the year ending 31 March 2006

ORGANISATION / PROJECT	£	ORGANISATION / PROJECT	£
BAFTA	10,000	Independent Cinema Office	76,000
Brief Encounters	5,000	Independent Film Parliament	6,000
British Federation of Film Societies	49,000	International Festival Support Scheme	17,274
British Film Institute	16,000,000	IPPR (Intellectual Property Rights Project)	9,000
British Film Institute - capital award	2,000,000	Marche du Film, Cannes	105,500
British Film Institute - modernisation award	1,000,000	Mayavision	6,500
British Film Institute - other awards	33,659	New Producers Alliance	34,992
British Independent Film Awards	15,250	North West Vision	525,000
British Screen Advisory Council	10,000	Northern Film & Media	400,000
Capitol Films	19,990	Northern Ireland Film and Television Commission	200,000
Cinema Next conference	10,050	Oscar Moore award	8,400
Cultural Capital conference	16,334	Scottish Screen	45,000
Diversity awards	300,000	Screen East	530,000
EDCF European Digital Cinema Forum	6,777	Screen England	37,000
Edinburgh International Film Festival	30,140	Screen South	432,000
EM Media	590,000	Screen West Midlands	400,000
Euro Films	7,030	Screen Yorkshire	472,000
Export mission to Japan	20,982	Sgrin Cymru Wales	160,000
Export report	25,000	Short Circuit	5,000
FDA European distributors conference	25,000	South West Screen	451,000
Festival du Film Britannique - Dinard	15,000	Split Screen - Film File Europe	67,857
Film Education media literacy conference	5,000	The Big Idea	40,270
Film London	900,000	UK Film Council US	385,000
Film London	50,960	UK Post	10,000
Fortissimo Films	6,664	Westminster Media - Implementing Media Literacy	5,500
Grierson Trust awards	15,000	Women in Film & Television film award	5,500
Hong Kong Trade & Development Council - FILMART	8,874	37 awards less than £5,000	42,425
Images of Black Women Film Festival award	7,500		
In Tandem	5,500		
			25,665,927

In addition to the above, further expenditure is recorded within international marketing in the group's income and expenditure account (page 37) relating to the Hong Kong Filmart and export promotion activities relating to Japan, India and South Africa.

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006

Film awards to non-franchises disclosed as soft commitments

PRODUCER	FILM/PROJECT	£
2am Films Ltd	Honeymoon - Cinema Extreme (Short)	25,000
Advance Party Films Ltd	Red Road	10,963
Archer Street Ltd	How to Start Your Own Country	142,750
Archer Street Ltd	Incendiary	50,000
Assassin Films Ltd	Mrs Radcliffe's Revolution (add'l)	10,000
Assassin Films Ltd	West is West	111,000
B3 Media	Digital shorts	40,000
Balfe Campbell Productions Ltd	Exit the Situation (Short)	7,935
Beastly Films Ltd	Restraint of Beasts	650,000
Becoming Jane Films Ltd	Becoming Jane	1,513,062
Bend It Films Ltd	Slate funding - year 2	34,418
Bend It Films Ltd	Trumpet	37,500
Bub Ltd	Set It Off - Cinema Extreme (Short)	25,000
Carlton Television Ltd	Prince of Dalston	2,000
Celador Films Ltd	Samuel Pepys: The Unequalled Self	25,000
Chris Thompson and Peter Reynolds	MacNab	12,500
Clockwork Pictures Ltd	The Sofa (aka Knife in the Sofa) (Short)	5,380
Closing the Ring Ltd	Closing the Ring	2,076,000
Cougar Films Ltd	@	12,000
Cougar Films Ltd	Mind the Gap	25,725
Courtland Productions Ltd	Above the Clouds	34,500
Crab Apple Films Ltd	The Darkest Hour	17,280
Cuba Pictures Ltd	An Equal Music	24,500
David Aukin Productions Ltd	West Bank (add'l)	7,000
David Paradine Productions Ltd	In Search of Diego (Pilot)	10,000
Dom Pictures Ltd	Family Man	16,125
Driving Lessons Ltd	Driving Lessons	207,303
East Midlands Media Initiative (EM Media)	Digital shorts	40,000
Elisabeth Charbonneau	Kochana Cafe (Short)	5,290
Escape Pictures Ltd	The Wedding Project	45,176
Feelgood Fiction Ltd	Miss Emerald (aka Rose of Tralee)	4,375
Feelgood Fiction Ltd	Unscathed	22,750
Fern Gully Tales Ltd	The Tiger's Tail	1,000,000
Fiesta Productions Ltd	Solid (add'l)	8,500
Film London Ltd	Care - Digital Shorts Plus 2005	10,000

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Film awards to non-franchises disclosed as soft commitments continued

PRODUCER	FILM/PROJECT	£
Film London Ltd	Digital shorts	40,000
Finola Dwyer Productions Ltd	Untitled Aspinall project	112,500
Free Range Films Ltd	24 Exposures	20,000
Glasgow Media Access Centre Ltd (GMAC)	Digital shorts	40,000
Glasgow Media Access Centre Ltd (GMAC)	Skypark - Digital Shorts Plus 2005	10,000
Granada Television Ltd	Pierrepoint (aka The Last Hangman)	330,000
Gruber Films Ltd	D	30,000
Gruber Films Ltd	Untitled Peter Capaldi project	18,938
Hannah Gal	Hush - Completion funding	4,499
Hattie Dalton	Cry Out Loud	12,500
Holdings Ecosse Ltd t/a Sell Out Pictures	VIY	18,250
Hopping Mad Distribution (IOM) Ltd and Miss Potter Inc	Miss Potter	1,200,000
Impact Pictures Ltd	100 Voices	375
Jigsaw Films Ltd	Cherub: The Recruit	8,500
Just B Productions	Cinema Next conference	9,000
Justin Trefgarne	Nightshift	10,000
Kismet Film Company Ltd	Ugly Streakers (aka Streakers)	6,500
Kubista Ltd	Fine (Short)	5,800
Kudos Film & Television Ltd	A Spy by Nature	22,000
Lifesize Pictures Ltd	Shorts project management	163,406
Likely Story Ltd	The Other Man (Short)	7,500
Lyric Films Ltd	Life & Lyrics (aka Solid)	1,414,500
Magic Light Pictures (Commissioning) IOM Ltd	Sparkle	377,600
Magic Light Pictures Ltd	Sparkle	15,468
Magic Light Pictures Ltd	Three Way Split	22,500
Matthew McGuchan	Hummingbird	12,500
Mayavision International Ltd	Completion Fund (short film scheme)	25,500
Midfield Films Ltd	Storage	775
Mischief Night Ltd	Mischief Night	50,000
Modern Films Ltd	School	29,000
Modern Films Ltd	The Night Country	30,155
Modern Films Ltd	Under the Skin	111,949
Mountain Productions Ltd	White Lightenin'	10,000

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Film awards to non-franchises disclosed as soft commitments continued

PRODUCER	FILM/PROJECT	£
North West Vision Ltd	Boot Polish - Digital Shorts Plus 2005	10,000
North West Vision Ltd	Digital shorts	40,000
Northern Film and Media Ltd	Digital shorts	40,000
Northern Film and Media Ltd	Making of Parts - Digital Shorts Plus 2005	10,000
Northern Ireland Film and Television Ltd	Digital shorts	40,000
Northern Souls Films Ltd	Love + Hate (add'l)	15,000
October Films Ltd	The Wedding Party	29,750
P&D Financing Ltd	Opal Dream (aka Pobby and Dingan)	70,000
Parachute Pictures Ltd (previously Peartree Pictures Ltd)	No Such thing (aka The Pear Tree)	13,000
Passion Pictures Ltd	Feet in the Clouds	10,000
Passion Pictures Ltd	How I Live Now	76,965
Passion Pictures Ltd	Slate funding - year 3	70,000
Peter Harness	The Bone Family	12,500
Picture Farm Ltd	Normal for Norfolk (Short)	7,750
Pipedream Pictures Ltd	Ghosthunters	1,000
Pistachio Pictures Ltd	One Two Hundred and Fiftieth of a Second (Short)	10,805
Priority Pictures Ltd	The Club	73,500
Puffball Stories Ltd	Puffball	664,214
Qwerty Films Ltd	Georgiana, Duchess of Devonshire	18,400
Qwerty Films Ltd	Low budget feature film project	1,500,000
Raymond Friel and Derek Boyle	Petectives (aka The Real Pet Detective)	12,500
Red Road Films Ltd	Red Road	436,144
Redhouse Communications Ltd	Das Schuh (Short)	2,425
Relish Productions Ltd	Numb (Pilot)	10,000
Sally Potter Films Ltd	Actor based developments	9,600
Sally Potter Films Ltd	Branded	9,600
Sally Potter Films Ltd	In the Beginning	9,600
Sally Potter Films Ltd	Molly Bloom goes to Moscow	9,600
Sally Potter Films Ltd	Napoli	9,600
Samuelson Bertie Ltd	Stormbreaker	300,000
Scarlet Pictures Ltd	Balance of Power (add'l)	7,000
Screen East Ltd	Digital shorts	40,000
Screen South Ltd	Digital shorts	40,000

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Film awards to non-franchises disclosed as soft commitments continued

PRODUCER	FILM/PROJECT	£
Screen West Midlands Ltd	Digital shorts	40,000
Screen West Midlands Ltd	Romance - Digital Shorts Plus 2005	10,000
Screen Yorkshire Ltd	Digital shorts	44,000
Seven Seas (SL) Ltd	Brick Lane	650,000
Severance Films Ltd	Severance (aka P45)	765,000
Seymour Films Ltd	The Property (aka Property Ladder)	23,900
Sgrin Cymru Wales	Digital shorts	40,000
Silence is Golden Ltd	Untitled Crowley project	47,500
Sister Films Ltd	Dad - Completion funding	5,500
Sixteen (Barley) Ltd and Element Films Ltd	The Wind that Shakes the Barley	545,000
Snow Cake Film Ltd	Snow Cake (add'l)	100,000
South West Screen Ltd	Banged Up - Digital Shorts Plus 2005	10,000
South West Screen Ltd	Digital shorts	40,000
Starfield Productions Ltd	The Describer	2,500
Straightheads Ltd	Straightheads (add'l)	16,250
Straightheads Ltd and Straightheads (Two) Ltd	Straightheads (add'l)	118,200
Tall Stories Ltd	Additional slate funding	2,400
Taxi Productions Ltd	Homeland (aka Monsieur Hire, aka You Are Here)	25,000
The Coat Ltd	The Coat	9,000
Ultrafilm Ltd	Exposure - pilot	10,000
Ultrafilm Ltd	Exposure	12,075
Untitled 06 Distribution Ltd	Untitled '06 (Mike Leigh)	1,200,000
Venus Pictures Ltd	Venus	1,000,000
Vestry Films Ltd	New Town Killers	36,000
Warp Bulldog Ltd	Bulldog (aka Oi! This is England)	668,000
Warp Developments Ltd	Planet Arse	7,000
Warp Films Ltd	Low budget feature film project	1,500,000
WAZ Distribution Ltd	WAZ	932,017
Wilderness Films Ltd	Wilderness	60,000
Total single film project awards		21,967,040

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Specialised prints and advertising awards

PRODUCER	FILM/PROJECT	£
Alliance Atlantic Releasing Ltd	Broken Flowers	180,000
Alliance Atlantis Releasing Ltd t/a Momentum Pictures Ltd	Tsotsi	150,000
Artificial Eye Film Company Ltd	Hidden	25,000
British Film Institute	Show Me/50 Ways of Saying Fabulous/ Interviews with my Next Girlfriend	1,200
Dogwoof Ltd	King's Game (aka Kongekabale)	46,700
Eureka Entertainment Ltd	Junebug	44,800
Guerilla Films Ltd	Frozen	21,000
ICA Projects Ltd	Sophie Scholl	7,000
Icon Film Distribution Ltd	Match Point	53,000
Icon Film Distribution Ltd	Rock School	39,000
Metrodome Distribution Ltd	Dear Wendy	20,285
Metrodome Distribution Ltd	Mad Hot Ballroom	50,180
Metrodome Distribution Ltd	Shooting Dogs	17,750
Optimum Releasing Ltd	Murderball	45,000
Pathé Distribution Ltd	Transamerica	100,000
Pathé Distribution Ltd	Breakfast on Pluto	70,000
Peccadillo Pictures Ltd	Cockles & Muscles	22,070
Redbus Film Distribution Ltd	A Cock and Bull Story	200,000
Revolution Films Ltd	The Road to Guantanamo	17,740
Revolver Films Ltd	Grizzly Man	9,676
Revolver Films Ltd	Kidulthood	76,295
Shooting People Ltd	Unknown White Male	31,863
Soda Pictures Ltd	Crossing the Bridge - The Sound Of Istanbul	11,340
Puffball Stories Ltd	Puffball - additional award	94,214
Tartan Film Distribution Ltd	The Proposition	173,196
Tartan Film Distribution Ltd	U-Carmen eKhayelitsha	10,700
The Film Consortium Ltd	Guy X	39,800
Tip Top Entertainment Ltd	Iqbal	50,000
Trinity Filmed Entertainment Ltd	The Magician	43,260
Twentieth Century Fox Film Company Ltd	Night Watch	200,000
Verve Pictures Ltd	Love + Hate	14,500
Warner Bros Entertainment UK Ltd	March of the Penguins	200,000

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Specialised prints and advertising awards

PRODUCER	FILM/PROJECT	£
Yash Raj Films International Ltd	The Rising	149,650
Yume Pictures Ltd	Quo Vadis, Baby?	13,500
Total specialised print and advertising awards		2,228,719

Cinema equipment awards

DSN Usage support	39 awards less than £10,000	86,308
DSN Booth Fund	55 awards less than £10,000	200,045
British Film Institute	CAP: Film Print Provision	1,540
Digital Screen Network equipment	Digital Screen Network equipment	11,700,000
Cinema Solutions Ltd	DSN Selective Support for Small Cinemas	11,187
Croydon Council	DSN Selective Support for Small Cinemas	11,187
Curzon Community Cinema, Clevedon	DSN Selective Support for Small Cinemas	11,187
Dennis Tuffin and Joan Tuffin t/a Pendle Stairway Cinema	DSN Selective Support for Small Cinemas	11,187
Dorset Film Touring Ltd	DSN Selective Support for Small Cinemas	3,465
Horsham District Council	DSN Selective Support for Small Cinemas	11,187
Institute of Contemporary Arts Ltd	DSN Selective Support for Small Cinemas	11,187
Ipswich Borough Council	DSN Selective Support for Small Cinemas	11,187
Kingston Upon Hull City Council	DSN Selective Support for Small Cinemas	11,187
Kino Holdings Ltd	DSN Selective Support for Small Cinemas	3,465
Leicester Arts Centre Ltd	DSN Selective Support for Small Cinemas	11,187
Light House Media Centre	DSN Selective Support for Small Cinemas	11,187
Merlin Cinemas Ltd	DSN Selective Support for Small Cinemas	11,187
Metro Cinema Ltd	DSN Selective Support for Small Cinemas	11,187
National Museum of Photography, Film & Television	DSN Selective Support for Small Cinemas	11,187
Norfolk and Norwich Film Theatre Ltd	DSN Selective Support for Small Cinemas	11,187
Northern Morris Cinemas (Bowness) Ltd	DSN Selective Support for Small Cinemas	11,187
Parkway Entertainment Co Ltd	DSN Selective Support for Small Cinemas	11,187
Phoenix Cinema Trust Ltd	DSN Selective Support for Small Cinemas	11,187
Picture House Cinema (Keighley) Ltd	DSN Selective Support for Small Cinemas	11,187
Plymouth Arts Centre	DSN Selective Support for Small Cinemas	11,187
Rich Mix Cultural Foundation	DSN Selective Support for Small Cinemas	3,465
Ryedale Entertainments Ltd	DSN Selective Support for Small Cinemas	3,465

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Cinema equipment awards continued

PRODUCER	FILM/PROJECT	£
South Keveston District Council	DSN Selective Support for Small Cinemas	11,187
The Aldeburgh Cinema Ltd	DSN Selective Support for Small Cinemas	11,187
The Corn Exchange Trust (Newbury) Ltd	DSN Selective Support for Small Cinemas	11,187
The Courtyard Trust Ltd	DSN Selective Support for Small Cinemas	11,187
The Dartington Hall Trust	DSN Selective Support for Small Cinemas	11,187
The Dukes Play House Ltd	DSN Selective Support for Small Cinemas	11,187
The Plaza Cinema (Skipton) Ltd	DSN Selective Support for Small Cinemas	11,187
The Rio Centre (Dalston) Ltd	DSN Selective Support for Small Cinemas	11,187
The Ritz (Belper)	DSN Selective Support for Small Cinemas	3,465
The Roses Theatre	DSN Selective Support for Small Cinemas	11,187
The Tricycle Theatre Ltd	DSN Selective Support for Small Cinemas	11,187
Theatr Mwldan	DSN Selective Support for Small Cinemas	11,187
University of Sterling	DSN Selective Support for Small Cinemas	7,458
Wells Film Centre	DSN Selective Support for Small Cinemas	11,187
Wootton Electric Picture House Ltd	DSN Selective Support for Small Cinemas	3,465
Zeffirellis Ltd	DSN Selective Support for Small Cinemas	11,187
Total cinema equipment awards 2005/06		12,374,125

Publications Fund awards

COMPANY	PUBLICATION	£
BKSTS - The Moving Image Society	Training for Digital Projection	20,000
Film Base Ltd	Film Ireland	12,000
Film Distributors Association Ltd	SCOOP	10,000
Firecracker Media Ltd	Firecracker	20,000
The Directors Guild of Great Britain	DIRECT magazine	13,000
Vertigo Publications Ltd	Vertigo	15,000
Total publications new awards 2005/06		90,000

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Other Lottery awards

COMPANY	PUBLICATION	£
EM Media Ltd	Regional Lottery award	322,000
Film London Ltd	Regional Lottery award	355,000
Hi8us First Light Ltd	First Light scheme	1,100,000
North West Vision Ltd	Regional Lottery award	305,000
Northern Film and Media Ltd	Regional Lottery award	390,000
Screen East Ltd	Regional Lottery award	390,000
Screen South Ltd	Regional Lottery award	305,000
Screen West Midlands Ltd	Regional Lottery award	413,000
Screen Yorkshire Ltd	Regional Lottery award	300,000
South West Screen Ltd	Regional Lottery award	420,000
Total other Lottery awards 2005/06		4,300,000

Total new soft commitments 1 April 2005 - 31 March 2006 40,959,884

Awards to Franchise projects disclosed as soft commitments

COMPANY	FILM/PROJECT	£
DNA Ltd	DNA overheads	495,711
DNA Ltd	Notes on a Scandal	4,587,768
DNA Ltd	Sunshine	6,528,090
DNA Ltd	The History Boys	813,408
DNA Ltd	The Last King of Scotland	1,368,634
Total Franchises new awards 2005/06		13,793,611

Total soft commitments 2005/06 54,753,495

The above list excludes soft commitments totalling £1,343,134 where the award was made and fallen in within the year.

Lottery Financial Statements

for the year ended 31 March 2006

Company no: 3815052

Statement of Directors' responsibilities	73
Statement on internal control	74
Auditors' report	76
Income and expenditure account	78
Statement of total recognised gains and losses	79
Balance sheet	80
Statement of cashflows	81
Notes to the financial statements	82
Schedule 1: Grant-in-aid awards in the year ending 31 March 2006	97
Schedule 2: Film rights at 31 March 2006	107
Schedule 3: Lottery awards made from UK Film Council delegations in the year ending 31 March 2006	115
Statutory background	120



We help to ensure that the UK film industry continues to demonstrate its creativity and expertise in making distinctive films that find their audience.

Stormbreaker courtesy of Entertainment

Statement of Directors' responsibilities in respect of the accounts

Under its legislative framework, the UK Film Council is required to prepare financial statements for the period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. The financial statements are to be prepared on an accruals basis and to show a true and fair view of the UK Film Council's state of affairs at the year-end, and of its income and expenditure and cash flows for the financial year.

Company law requires the Directors to prepare financial statements for each year, which give a true and fair view of the state of affairs of the UK Film Council and of the surplus or deficit of the UK Film Council for that period.

The Directors of the UK Film Council are required to:

- observe the Accounts Direction issued by the Secretary of State, which sets out accounting and disclosure requirements, and 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 UK Film Council will continue in operation.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the UK Film Council and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive Officer as Accounting Officer for the UK Film Council. The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the finances for which the Chief Executive Officer is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury.

The Accounting Officer of the UK Film Council is responsible for preparing financial statements that give a true and fair view, and for making available to the auditors all relevant information for their purposes. So far as the Accounting Officer is aware, there is no relevant audit information of which the UK Film Council's auditors are unaware. Further, the Accounting Officer has taken all steps that he ought to have taken to ensure awareness of any relevant audit information, and to establish that the UK Film Council's auditors are aware of that information.



John Woodward
Chief Executive Officer
28 September 2006



Stewart Till CBE
Chair
28 September 2006

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UK Film Council's policies, aims and objectives, whilst safeguarding the public funds and the UK Film Council's assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.

I also have responsibility, as defined in the UK Film Council's Funding Agreement and Management Statement and Financial Memorandum, for leading and managing the work of the UK Film Council to meet its objectives and upholding its values. I report to the Board of Directors of the UK Film Council.

The purpose of the system of internal control

The system of internal control is designed to manage to a reasonable level, rather than eliminate all 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 on-going process designed to identify and prioritise the risks to the achievement of UK Film Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and 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 2006 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 I have overall responsibility for the UK Film Council's risk management framework, and am supported in its implementation by the Senior Management Team. Guidance is provided through the relevant decision approval processes.

The Audit Committee gives independent advice and guidance to me, in my role as Accounting Officer, and to the Board of Directors on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control at the UK Film Council and oversees the work of the internal auditors.

The risk and control framework

A risk management policy has been established setting out the UK Film Council's attitude to risk in the achievement of our objectives.

The UK Film Council has incorporated risk management in planning and decision making and maintains an organisation-wide risk register. Policy and operation risks are identified through our annual business planning cycle, and are evaluated by senior management and myself. Risk management and internal control are considered on a regular basis through the Senior Management Team's agenda and the risks identified are monitored and controlled through a system of key performance and risk indicators, which are reported through the Quarterly Performance Review process.

The work of the UK Film Council's Internal Audit service, which operates to standards defined in the Government Internal Audit Standards, is defined by an analysis of risk to which the UK Film Council is exposed and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the UK Film Council's Audit Committee and are approved by me.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior management within the UK Film Council 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. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and plan to address any weaknesses and ensure continuous improvement is in place.

In respect of risk management the responsibilities of the Senior Management Team are to:

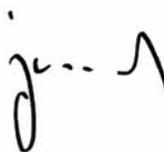
- manage risk in their own areas of responsibility through the implementation of risk mitigation processes and by following UK Film Council's risk policy;
- translate the risk register into day-to-day operational planning within teams; and
- report to me on the status of risks and controls.

The Board receives periodic reports from the Chairman of the Audit Committee and regular reports from managers on the steps taken to manage risks in their areas of responsibility, including progress reports on key activities and projects.

The internal auditors provide me annually with reports on the areas of activity within the UK Film Council subject to audit. The reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the UK Film Council's system of internal control during the reporting period together with recommendations for improvement.

I can confirm:

- the UK Film Council complies with our current Lottery financial directions;
- adequate audit arrangements, both internal and external, are in place to support me in reviewing the systems of internal control;
- adequate arrangements are in place to detect and respond to inefficiency, conflicts of interest and fraud and minimising losses of Lottery grant;
- the UK Film Council has drawn up and maintains risk assessment and control procedures and risk registers; and
- the systems of internal control were fully operational in the year and that no weaknesses have been uncovered.



John Woodward
Chief Executive Officer and Accounting Officer
28 September 2006

Auditor's report

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the UK Film Council Lottery Distribution Fund for the year ended 31 March 2006 under the National Lottery etc. Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Directors, Chief Executive Officer and auditor

The Directors and Chief Executive Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Directors' and Chief Executive Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 74 to 75 reflects the Council's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's foreword, the Chief Executive Officer's review, the summary of activity, the role and policy priorities of the UK Film Council, highlights of the year, the financial review of the business, the monitoring and evaluation review, the unaudited part of the remuneration report, and the employment statistics. I consider the implications for my report if I become aware of any apparent mis-statements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and Chief Executive Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the UK Film Council Distribution Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the remuneration report to be audited are free from material mis-statement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the UK Film Council Lottery Distribution Fund's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn

Comptroller and Auditor General

28 September 2006

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Supplementary statement by the Comptroller and Auditor General

The maintenance and integrity of the UK Film Council website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Income and expenditure account for the year ended 31 March 2006

	NOTES	2005/06 £000	2004/05 £000
Income			
Proceeds from the National Lottery	8	28,110	27,581
NLDF Investment Income	8	2,205	2,289
Delegated Funds – Arts Council England		12,014	915
Recoupment income			
– Arts Council England portfolio	2	573	444
– UK Film Council portfolio	2	2,388	416
Other income		235	143
Total income		45,525	31,788
Film Skills Fund		–	(18,705)
Regional awards		(3,200)	(3,200)
First Light scheme		(1,100)	(1,000)
Distribution and exhibition awards			
– Arts Council England – Delegated Funds		(11,814)	(676)
– UK Film Council schemes		(1,634)	(923)
Training awards		(2)	(342)
Publications awards		(68)	(76)
Non-film rights awards		(17,818)	(24,922)
Arts Council England pre-committed expenditure		18	99
Costs apportioned from grant-in-aid	3	(7,369)	(7,737)
Pension service costs	5	(321)	(202)
Provisions against film rights	6	(8,168)	(22,713)
Total other expenditure		(15,840)	(30,553)
Total expenditure		(33,658)	(55,475)
Operating surplus/(deficit)		11,867	(23,687)
Bank interest receivable		409	309
Other financing income	5	6	17
Interest and financing		415	326
Surplus/(deficit) on ordinary activities before taxation		12,282	(23,361)
Taxation charge	7	(123)	(93)
Retained surplus/(deficit) for the financial period		12,159	(23,454)

There were no material acquisitions or disposals during the year (2005: nil).
All activities were on an ongoing basis.

Statement of total recognised gains and losses for the year ended 31 March 2006

	NOTES	2005/06 £000	2004/05 £000
Surplus/(deficit) for the financial period		12,159	(23,454)
Actual return less expected return on pension assets	5	437	66
Experience losses arising on the scheme liabilities	5	(17)	(251)
Recognised change in assumptions	5	(462)	–
Actuarial loss in pension plan		(42)	(185)
Total recognised gains and losses relating to the year		12,117	(23,639)

Balance sheet as at 31 March 2006

	NOTES	2006 £000	2005 £000
Current assets:			
Film rights	6	39,813	26,296
Balance at the National Lottery Distribution Fund	8	39,130	44,780
Debtors	9	17,258	19,487
Cash at bank and in hand		6,549	10,248
		102,750	100,811
Creditors: amounts falling due within one year			
Commitments to filmmakers	11	(17,051)	(13,922)
Creditors	12	(2,582)	(14,954)
		(19,633)	(28,876)
Net current assets		83,117	71,935
Creditors: amounts falling due after one year			
Commitments to filmmakers	11	(10,930)	(11,862)
		10,930	11,862
Net assets excluding pension asset/liability		72,187	60,073
Pension liability	5	(38)	(41)
Net assets including pension asset/liability		72,149	60,032
Capital and reserves			
Lottery reserve	16	72,187	60,073
Pension reserve	16	(38)	(41)
		72,149	60,032



John Woodward
Chief Executive Officer
 28 September 2006



Stewart Till CBE
Chair
 28 September 2006

Statement of cashflows for the year ended 31 March 2006

	NOTES	2005/06 £000	2004/05 £000
Operating activities			
Funds received from the National Lottery Distribution Fund		35,967	29,370
Arts Council England delegated funds received		1,765	–
Arts Council England portfolio income		1,350	348
UK Film Council portfolio income		16,402	7,383
Other cash receipts		2,743	3,058
Overheads payments		(7,836)	(6,155)
Payment of hard commitments		(51,120)	(27,057)
Other cash payments		(3,259)	(6,165)
Net cash (outflow)/inflow from operating activities	15a	(3,988)	782
Tax paid		(93)	(68)
Return on investments and servicing of finance			
Bank interest received		382	290
Net cash (outflow)/inflow	15b	(3,699)	1,004

Notes to the financial statements

Note 1: Accounting policies

a) Basis of financial statements

These financial statements are prepared under the modified historical cost convention.

The financial statements have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, and they meet the requirements of the Companies Acts 1985 except that certain headings have been amended in order to reflect special circumstances of the company, and in accordance with applicable Accounting Standards, and, in the case of the treatment of hard and soft commitments, the requirements of the National Lottery etc. Act 1993 (as amended) have been followed.

In accordance with the directions issued by the Secretary of State for Culture, Media and Sport financial statements have also been prepared for the UK Film Council group as a whole.

A copy of the Accounts Direction is available from the Company Secretary, UK Film Council, 10 Little Portland Street, London W1W 7JG.

b) Accruals convention

Income and expenditure is accounted for on a receivable basis except for recoupment income which is upon notification of amounts due to the UK Film Council, and commitments which are reported as per the National Lottery etc. Act 1993 (as amended).

As required by the Secretary of State for Culture, Media and Sport, a distinction is made in respect of Lottery awards between 'hard commitments' and 'soft commitments'. Where the UK Film Council has made a firm offer of a grant which, together with the relevant conditions, has been accepted by the recipient, the award is accounted for as a 'hard commitment'. Where the UK Film Council has agreed in principle to fund a scheme and made an offer, but the offer and associated conditions have not been accepted the award is accounted for as a 'soft commitment'. Hard commitments are recognised in the financial statements whereas soft commitments are recognised by way of note.

Hard commitments payable within one year of the balance sheet date are recognised in the balance sheet as current liabilities. Those payable more than one year from the balance sheet date are shown as commitments to filmmakers payable over more than one year.

Commitments for future years have been entered into taking into account income forecasts provided by the Department for Culture, Media and Sport. These forecasts take a prudent view of future income.

c) Fixed assets

All fixed assets owned by the UK Film Council are included in the Grant-in-aid fund. Usage by the Lottery Fund is accounted for by means of a capital recharge from the Grant-in-aid fund (see note 3).

d) National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. The share of these balances attributable to the UK Film Council is as shown in the financial statements and at the balance sheet date, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by the UK Film Council in respect of current and future commitments (see note 8). The amount attributable to the UK Film Council has been treated as income within these financial statements.

e) Apportioned costs

The UK Film Council incurs costs which are shared between activities funded from Grant-in-aid and activities funded from the National Lottery. The UK Film Council is required to apportion costs in accordance with good accounting practice. Costs wholly attributable to Lottery are distinguished and a calculation is performed on the basis of an individual departmental assessment of the costs attributable to Lottery of the service departments.

The notes to the income and expenditure account show the apportioned costs separately from those directly incurred by the Lottery operation.

f) Film rights

Film rights represent loans paid and advances paid and payable to filmmakers. They are included in the balance sheet, with provisions raised against the value of an advance to the extent that full repayment is not expected.

All advances to filmmakers are repayable under certain conditions. Where a feature film made with the assistance of the UK Film Council is successfully released, the UK Film Council 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.

Provisions are made against film rights to the extent that full repayment of an advance, through actual receipts and the value of future estimated receipts, is considered doubtful. Advances for development and short film awards are fully provided against in the year of award unless there is a reasonable expectation of repayment.

Movements in provisions shown in the income and expenditure account reflects the net effect of increases and decreases in provisions against film rights in the year.

g) Film recoupment income

Income received from a film right is offset against the value of the right on the balance sheet. Income in excess of the original value of the right is taken to the income and expenditure account as film recoupment income.

All income received from the rights in the portfolio of films transferred from Arts Council England is taken directly to the income and expenditure account as these rights are recognised on the UK Film Council balance sheet at zero value. This reflects Arts Council England's accounting policy to write off the value of all advances in the year of award and the fact that no consideration was paid for the rights transfer by the UK Film Council.

h) Other Lottery awards

Lottery awards other than those for film rights are taken in full to the income and expenditure account in the year in which the hard commitment is recognised.

i) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income and expenditure account.

j) Leasing commitments

Rentals payable under operating leases are charged in the income and expenditure account on a straight-line basis over the lease term.

k) Financial instruments

The Lottery account's principal financial instruments are cash and holdings in the National Lottery Distribution Fund. The Lottery account has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations. The main risks

arising from the Lottery account's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

l) Pensions

The UK Film Council is an admitted body of the Local Government Pension Scheme, which operates a defined benefit scheme for those UK Film Council employees who wish to join. It is a statutory, funded pension scheme and its benefits are defined and guaranteed in law. The scheme is administered by the London Pensions Fund Authority, a statutory body established on 31 October 1989, responsible to the Mayor of London and accountable to Parliament and the Greater London Assembly for its actions. The scheme is contributory for both employee and employer. Employer contributions are determined by a qualified actuary on the basis of quadrennial valuations using the projected unit method. Independent actuaries prepare full valuations of the scheme at least every four years in line with public sector guidance.

The UK Film Council complies with FRS 17, under which the defined scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged against operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time, are included in finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The company recognises an asset in respect of any surplus, being the excess of the value of the assets in the scheme over the present value of the scheme's liabilities only to the extent that it is able to recover the surplus. Any deficit is likewise recognised as a liability on the balance sheet.

Notes to the financial statements continued

Note 2: Recoupment income

Arts Council England

Under the transfer agreement with Arts Council England, the UK Film Council receives all future income generated from rights in the portfolio of films transferred from Arts Council England.

Titles in receipt of income, identifying those over £100,000, in the year ended 31 March 2006 (2004/05: £444,000):

	£000
Billy Elliot	343
Plunkett and Maclean	184
19 titles with income below £100,000	46
	573

UK Film Council

In the year ended 31 March 2006, 71 of the UK Film Council's titles received income, which was taken against film rights on the balance sheet.

Titles in receipt of income, identifying those over £100,000, in the year ended 31 March 2006 (2004/05: £7,676,000):

	£000
Bugs!	124
Country of my Skull	962
Creep	727
Ecosse Films development slate	152
51st State	600
Five Children and It	401
Ladies in Lavender	1,005
Long Time Dead	303
L'homme du train	170
Love + Hate (aka Northern Souls)	252
My Summer of Love	487
Qwerty Films development slate	209
Sex Lives of the Potato Men	513
The Constant Gardener	1,463
The Proposition	204
The Truth about Love	123
28 Days Later	841
Valiant	846
Vera Drake	543
Yes	129
51 titles with income below £100,000	3,781
	13,835

Income received on titles in surplus is taken to the income and expenditure account (2004/05: £416,000):

	£000
Bend it like Beckham	474
Maria, Full of Grace (P&A)	25
My Summer of Love (P&A)	3
The Dark	30
The Festival	12
The Motorcycle Diaries (P&A)	120
The Station Agent (P&A)	19
Touching the Void	45
28 Days Later	1,529
Vera Drake (P&A)	130
Whale Rider (P&A)	1
	2,388

Note 3: Costs apportioned from Grant-in-aid

These costs include:	2005/06 £000	2004/5 £000
Audit costs: National Audit Office	18	16
Capital recharge	165	122
Staff travel and subsistence – domestic	15	18
Staff travel and subsistence – foreign	100	99
Agency fees, freelance staff and secondments	44	41
Hospitality	42	46
Legal costs	478	229
Other professional fees	49	226

Notes to the financial statements continued

Note 4: Salary costs

Directors' remuneration (including daily allowances) attributable to the Lottery Fund was:

	2005/06 £	2004/5 £
Colin Brown	1,302	1,626
Andrew Eaton	1,669	1,037
Alison Owen	1,860	741
Sarah Radclyffe (retired 31.8.04)	–	741
Marc Samuelson	1,674	1,037
David Sproxton CBE	2,605	296
Parminder Vir OBE (retired 31.8.05)	925	1,629
	10,035	7,107

Salary costs of staff working on Lottery activities are reflected within the costs apportioned from the Grant-in-aid figure in the income and expenditure account. The costs of staff working wholly on Lottery activities were:

	2005/06 £000	2004/5 £000
Wages and salaries	2,108	2,098
Social Security costs	226	220
Pension service costs and other pension costs	224	161
	2,558	2,479

The average number of staff wholly employed on Lottery activities during the year was 40 (2004/05: 39).

The remuneration of the Chief Executive Officer and the costs attributable to the Lottery Fund during the year were:

	2005/06	ATTRIBUTABLE TO LOTTERY	
	£	%	£
John Woodward (Age: 45)			
Salary and benefits	141,030		128,619
Bonus	42,772		39,008
Total	183,802	91.2	167,627
Pension contribution	22,565		20,579

	2004/05	ATTRIBUTABLE TO LOTTERY	
	£	%	£
Salary and benefits	130,175		107,655
Bonus	44,169		36,528
Total	174,344	82.7	144,183
Pension contribution	20,828		17,225

For senior staff members, remuneration, pension contributions or pension entitlements, together with the share of these costs attributable to the Lottery Fund, are shown below. The information in the table is disclosed in ranges in accordance with DCMS guidance.

	SALARY YEAR ENDED 31 MARCH 2006 £000	%	ATTRIBUTABLE TO LOTTERY £000	ATTRIBUTABLE PENSION CONTRIBUTION £000	ATTRIBUTABLE PENSION ACCRUED AT 31 MARCH 2006 £000	CASH EQUIVALENT TRANSFER VALUE (CETV) AS AT 31 MARCH 2005 £000	CETV AS AT 31 MARCH 2006 £000	REAL INCREASE IN CETV AFTER ADJUSTMENTS FOR INFLATION ETC £000	SALARY YEAR ENDED 31 MARCH 2005 £000
Will Evans Head of Business Affairs	145-150	100	145-150	10-15	–	–	–	–	140-145
Paul Trijbits Head of New Cinema Fund	135-140	100	135-140	15-20	7.5-10	60-65	80-85	20-25	120-125
Peter Buckingham Head of Distribution & Exhibition	130-135	100	130-135	15-20	2.5-5	30-35	50-55	20-25	115-120
Sally Caplan Head of Premiere Fund (appointed 29.4.05)	130-135	100	130-135	10-15	–	–	–	–	–
Jenny Borgars Head of Development Fund	105-110	100	105-110	10-15	2.5-5	25-30	40-45	15-20	105-110
Alan Bushell Chief Operating Officer	105-110	91	95-100	10-15	7.5-10	45-50	90-95	45-50	105-110
Iain Hepplewhite Head of Communications (to 30.7.05)	35-40	91	30-35	0-5	–	20-25	–	–	90-95
Lisa Tremble Head of Communications (appointed 1.1.06)	20-25	91	15-20	0-5	0-2.5	–	0-5	0-5	–

John Woodward, Sally Caplan and Will Evans are all members of private pension schemes to which monetary contributions were made during the year.

Otherwise pension payments are to the Local Government Pension Scheme of which the UK Film Council is a member. Pension benefits accrue as a result of the period of employment at the UK Film Council and are payable on retirement. The scheme also provides for lump sum payments on retirement of three times final pension.

Notes to the financial statements continued

Note 5: Pensions benefits

The UK Film Council is an admitted body of the Local Government Pension Scheme, which operates a defined benefit scheme for those UK Film Council employees who wish to join. It is a statutory, funded pension scheme and its benefits are defined and guaranteed in law. The scheme is administered by the London Pensions Fund Authority, a statutory body established on 31 October 1989, responsible to the Mayor of London and accountable to Parliament and the Greater London Assembly for its actions. The scheme is contributory for both employee and employer. Employer contributions are determined by a qualified actuary on the basis of quadrennial valuations using the projected unit method.

The contributions to the defined benefit scheme attributable to Lottery activities were £0.3 million in the year to 31 March 2006 (2005: £0.2 million), all relating to current service costs.

FRS 17 disclosure

All public bodies have to account in full for pensions benefits under the disclosure requirements of FRS 17. Therefore as at 31 March 2006, a pensions liability of £0.04 million is disclosed on the UK Film Council Lottery balance sheet (2005: £0.04 million liability).

Pension assets/liabilities disclosed in these accounts relate only to those staff working solely on the Lottery activities of the UK Film Council. Any pension assets/liabilities relating to other staff are disclosed in the UK Film Council group accounts.

For FRS 17 disclosure the valuation at 31 March 2004 had been updated by the actuaries Hymans Robertson to assess the liabilities of the scheme as at 31 March 2006. Scheme assets are stated at their market value as at 31 March 2006 and the assets and liabilities of the London Pensions Fund Authority and the expected rate of return as at 31 March 2006 are:

ASSETS (WHOLE FUND)	LONG TERM RETURN % PER ANNUM	FUND VALUE AT 31 MARCH 2006 £	EXPECTED RETURN PER ANNUM £
Equities	7.3%	1,296,100	94,615
Bonds	6.0%	391,600	23,496
Property	6.5%	242,400	15,756
Cash	4.6%	126,300	5,809
		2,056,400	139,676

At 31 March 2005 the expected rates of return were:

ASSETS (WHOLE FUND)	LONG TERM RETURN % PER ANNUM	FUND VALUE AT 31 MARCH 2005 £	EXPECTED RETURN PER ANNUM £
Equities	7.7%	1,215,800	93,617
Bonds	4.8%	166,500	7,992
Property	5.7%	109,800	6,259
Cash	4.8%	51,700	2,482
		1,543,800	110,350

At 31 March 2004 the expected rates of return were:

ASSETS (WHOLE FUND)	LONG TERM RETURN % PER ANNUM	FUND VALUE AT 31 MARCH 2004 £	EXPECTED RETURN PER ANNUM £
Equities	7.7%	1,137,200	87,564
Bonds	5.1%	173,400	8,843
Property	6.5%	52,000	3,380
Cash	4.0%	21,900	876
		1,384,500	100,663

The main assumptions are:

	31 MARCH 2006 % PER ANNUM	31 MARCH 2005 % PER ANNUM	31 MARCH 2004 % PER ANNUM
Price increases	3.1%	2.9%	2.9%
Salary increases	4.6%	4.4%	4.4%
Pension increases	3.1%	2.9%	2.9%
Discount rate	6.0%	6.5%	6.5%

Net pension assets for the UK Film Council's Lottery operations:	31 MARCH 2006 £000	31 MARCH 2005 £000
Estimated UK Film Council share of the assets	3,213	3,205
Present value of scheme liabilities attributable to the UK Film Council	3,251	3,246
Total value of liabilities	3,251	3,246
Net pension liability attributable to the UK Film Council	(38)	(41)

Analysis of the amount charged to operating profit:	2005/06 £000	2004/05 £000
Service cost	321	202
Total operating charge	321	202

Analysis of the amount credited to other financial income:	2005/06 £000	2004/05 £000
Expected return on employer assets	193	100
Interest on Pension Scheme liabilities	(187)	(83)
Net return	6	17
Net revenue account cost	315	185

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

The actuarial loss as disclosed in the statement on total recognised gains and losses is as follows:

	2005/06 £000	2004/05 £000
Actual return less expected return on pension assets	437	66
Experience gains and losses arising on the scheme liabilities	(17)	(251)
Changes in assumptions underlying the present value of the scheme liabilities	(462)	–
Actuarial loss in pension plan	(42)	(185)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	–	–
Actuarial loss recognised in STRGL	(42)	(185)

Movement in (deficit)/surplus during the year

	2005/06 £000	2004/05 £000
(Deficit)/surplus brought forward at 1 April	(41)	84
Current service cost	(321)	(202)
Employer contributions	360	245
Net return on assets	6	17
Actuarial losses	(42)	(185)
Deficit at 31 March	(38)	(41)

History of experience gains and losses

	2005/06 £000	2004/05 £000	2003/04 £000	2002/03 £000
Difference between the expected and actual return in assets	437	66	120	(228)
Value of assets	3,213	3,205	1,078	598
Percentage of assets	13.6%	2.1%	11.1%	(38.1%)
Experience losses on liabilities	(17)	(251)	(5)	(10)
Present value of liabilities	3,251	3,246	994	675
Percentage of the present value of liabilities	(1%)	(7.7%)	(0.5%)	(1.5%)
Actuarial gains/(losses) recognised in STRGL	(42)	(185)	115	(238)
Present value of liabilities	3,251	3,246	994	675
Percentage of the present value of liabilities	(1%)	(5.7%)	11.6%	(35.3%)

Notes to the financial statements continued

Note 6: Film rights

	GROSS £000	PROVISION £000	REPAYMENT £000	NET £000
At 1 April 2005	132,999	(86,377)	(20,326)	26,296
Hard commitments made in the year	36,566	(7,875)	(83)	28,608
Movements on prior year commitments	–	(293)	(13,751)	(14,044)
Decommitments	(1,047)	–	–	(1,047)
At 31 March 2006 (schedule 1)	168,518	(94,545)	(34,160)	39,813

Note 7: Tax on profit on ordinary activities

	2006 £000	2005 £000
Corporation tax payable for current year	123	93
	123	93

Taxation is payable on the interest earned by the UK Film Council at the rate of 30% (2004/05: 30%).

Note 8: Balance at the National Lottery Distribution Fund

The movement in balances held at the National Lottery Distribution Fund is:

	2006 £000	2005 £000
Opening balance held at the National Lottery Distribution Fund	44,780	44,280
Income received from the Lottery	28,110	27,581
Investment income earned	2,205	2,289
Available for distribution	75,095	74,150
Cash drawn down	(35,965)	(29,370)
Market Value at 31 March	39,130	44,780

At 31 March 2006 the cost of the investment of the fund was £39.4 million (2005: £44.95 million). Income received from the Lottery shown above is after charging unrealised losses of £0.27 million (2005: £0.17 million).

The funds are invested on behalf of the National Lottery Distribution Fund by the National Debt Commissioners. The UK Film Council'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 UK Film Council 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.

The UK Film Council has published its plans for the period 2004/07. The plan assumes the UK Film Council will continue to make the level of commitments in each year at similar levels to its first three year plan. As a consequence, the UK Film Council will make total commitments over 2004/07 in excess of its Lottery income and this will reduce cash balances over this period. Due to the levels of recoupment received by the UK Film Council in 2005/06, the National Lottery Distribution Fund balance is now expected to fall below £10 million by March 2008 and the position will be closely monitored to ensure overtrading does not occur.

Note 9: Debtors

	2006 £000	2005 £000
Debtors falling due within one year		
Arts Council England delegation funds	4,323	8,140
Prepayments and accrued income	2,319	2,140
Other debtors	1,096	1,349
VAT receivable	610	998
	8,348	12,627
Debtors falling due after more than one year		
Arts Council England delegation funds	8,910	6,860
	8,910	6,860
	17,258	19,487

The Arts Council England debtor represents the undrawn delegated funds due to the UK Film Council. Funds are drawn down to award cash requirements under the delegation and it is expected that £8.91million of this will fall due after 31 March 2007.

Notes to the financial statements continued

Note 10: Financial risks

FRS 13 Derivatives and other financial instruments, requires disclosure of the role that the financial instruments have had during the year, in creating or changing the risks the UK Film Council Lottery Fund faces in undertaking its role.

Liquidity risks

In 2005/06, £28.1 million (47%) (2005: £27.6 million, 70%) of UK Film Council Lottery Fund's income was derived from the National Lottery. The remaining income comprises investment returns from the balance held with the National Lottery Distribution Fund £2.2 million (4%) (2005: £2.29 million, 6%), recoupment income from film rights £13.8 million (23%) (2005: £7.67 million, 19%), delegated income from Arts Council England £12 million (20%) (2005: £1 million, 2%), surplus on UK Film Council investments, bank interest and sundry income £3.06 million (6%) (2005: £1.3 million, 3%).

The Board considers that as the National Lottery Distribution Fund balance notified by the Secretary of State for Culture, Media and Sport and the UK Film Council's own cash holdings amount to £45.68 million (2005: £55.03 million) at the balance sheet date, sufficient liquid resources are available to cover all current hard and soft commitments totalling £37.35 million (2005: £50.24 million).

Interest rate risks

The UK Film Council's largest financial asset is retained in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. Neither the UK Film Council nor its Board has any control over these investments. The interest rate risks in respect of these financial assets are disclosed in the accounts of the National Lottery Distribution Fund. At the year-end the balance sheet value of the UK Film Council's investment in the National Lottery Distribution Fund was £39.13 million (2005: £44.78 million) and the average return on these investments was 4.73% (2005: 5.1%)

Cash balances drawn from the fund to pay awards and operating costs, along with recouped funds are held in variable rate bank accounts and the average interest rate return for the year was 4.8% (2005: 4.45%). The cash balance at the year end was £6.55 million (2005: £10.25 million). The Board considers that in respect of these funds the UK Film Council is not exposed to significant interest rate risks.

Foreign currency risk

The UK Film Council Lottery Fund is not exposed to any material foreign exchange risks, as long-term balances are held in sterling.

Note 11: Award commitments

Soft commitments	2006 £000	2005 £000
Brought forward at 1 April	24,458	23,388
Commitments made	42,303	50,665
Transferred back from hard commitments	332	254
Soft decommitments	(3,294)	(2,302)
Transferred to hard commitments	(54,424)	(47,547)
Balance carried forward at 31 March	9,375	24,458

Hard commitments		
Brought forward at 1 April	25,784	5,931
Commitments made	54,424	47,547
Hard decommitments	(775)	(402)
Transferred to soft commitments	(332)	(254)
Amounts paid	(51,120)	(27,038)
Balance carried forward at 31 March	27,981	25,784

Soft decommitments arise when an offer of an award approved by the UK Film Council falls in before the award is accepted by the recipient organisation.

Of the £9.38 million soft commitments as at 31 March 2006, £0.5 million is the outstanding element relating to the franchise agreement with DNA Films Ltd (2005: £14 million). The franchise agreement was established by Arts Council England in 1997 and transferred to the UK Film Council in April 2000.

New hard commitments made during the year comprise:

	2006 £000	2005 £000
Film rights	36,565	22,471
Film Skills Fund	–	18,705
Regional awards	3,200	3,200
First Light award	1,100	1,000
Distribution and exhibition awards	13,485	1,603
Training awards	6	489
Publication awards	68	79
	54,424	47,547

The Film Skills Fund commitment is the delegation to Skillset Ltd, the Sector Skills Council for the audiovisual industries, to administer the provision of funded training activities on behalf of the UK Film Council until March 2007. On commencement of this delegation in April 2004 the UK Film Council training fund was subsumed into this and therefore ceased to make awards.

Regional awards are the delegated sum to the nine Regional Screen Agencies created under the Regional Investment Fund for England (RIFE).

Ageing of hard commitments	2006 £000	2005 £000
2005/06	–	13,922
2006/07	17,051	9,362
2007/08	5,310	2,500
2008/09	2,810	–
2009/10	2,810	–
	27,981	25,784

It is expected that all outstanding hard commitments as at 31 March 2006 will be fully paid by 31 March 2010 and commitments due after one year relate to the Digital Screen Network and development slate awards.

Note 12: Creditors

Amounts falling due within one year	2006 £000	2005 £000
Corporation tax	123	93
Due to Grant in aid fund	188	653
Deferred income	2,070	14,085
Other creditors	201	123
	2,582	14,954

Deferred income represents the balance of the £15 million delegation funds from Arts Council England that has not become a hard commitment through awards made by the UK Film Council.

Note 13: Leases

At 31 March 2006 the Lottery Fund had no commitments under non-cancellable operating leases. The UK Film Council (non-Lottery) had annual commitments under a non-cancellable operating lease as set out below:

	LAND & BUILDINGS 2006 £000	LAND & BUILDINGS 2005 £000
Operating lease which expires in over five years	315	315

A proportion of this was charged to the Lottery Fund under Note 1(e).

Note 14: Capital commitments

At 31 March 2006 the Lottery Fund had no contracted capital commitments (31 March 2005: nil).

Notes to the financial statements continued

Note 15: Notes to the statement of cashflows

a) Reconciliation of operating surplus to net cashflow from operating activities

	2005/06 £000	2004/05 £000
Operating surplus/(deficit)	11,867	(23,687)
(Increase)/decrease in film rights	(13,517)	8,320
Decrease/(increase) in debtors	7,854	(17,582)
(Decrease)/increase in creditors	(10,206)	33,855
Movement in pension asset/(liability)	14	(124)
Net cash (outflow)/inflow from operating activities	(3,988)	782

b) Reconciliation of net cashflow to movements in funds

	2005/06 £000	2004/05 £000
Funds at 1 April	10,248	9,244
(Decrease)/increase in cash	(3,699)	1,004
Funds at 31 March	6,549	10,248

Note 16: Movement in Lottery Fund reserve

	PENSION RESERVE £000	I&E RESERVE £000	TOTAL LOTTERY RESERVE £000
Brought forward at 1 April 2005	(41)	60,073	60,032
Surplus for the year	45	12,114	12,159

Movements on the STRGL

Actuarial loss in pension plan	(42)	-	(42)
As at 31 March 2006	(38)	72,187	72,149

Note 17: Reconciliations of transactions with delegate bodies

In 2005/06 delegation agreements with the Regional Screen Agencies, Hi8us First Light Ltd and Skillset Ltd were in place and fully operational for the purpose of distribution of Lottery funds. Transactions in these accounts relating to these delegations reconcile to transactions in the accounts of these organisations as follows:

Transactions in UK Film Council accounts:

	HARD COMMITMENTS IN 2005/06 £000	DELEGATE BODY CREDITOR AT 31 MARCH 2006 £000
EM Media	322	-
Film London	355	-
Hi8us First Light	1,100	-
Northern Film & Media	390	-
North West Vision	305	-
Screen East	390	-
Screen South	305	-
Screen West Midlands	413	-
Screen Yorkshire	300	-
Skillset	-	5,754
South West Screen	420	-
	4,300	5,754

Note 17: Reconciliations of transactions with delegate bodies continued

The following is extracted from the accounts of the organisations for the year-ended 31 March 2006:

	RESERVES AT 1 APRIL 2005 £000	INCOMING FUNDS: UK FILM COUNCIL £000	INCOMING FUNDS: OTHER £000	OUTGOING FUNDS £000	RESERVES AT 31 MARCH 2006 £000
EM Media	301	322	8	(319)	312
Film London	454	357	8	(291)	528
Hi8us First Light	498	1,100	29	(1,035)	592
Northern Film & Media	119	390	48	(480)	77
North West Vision	141	305	1	(308)	139
Screen East	289	390	5	(424)	260
Screen South	82	305	6	(334)	59
Screen West Midlands	342	413	16	(466)	305
Screen Yorkshire	119	300	6	(354)	71
Skillset	2,873	7,645	155	(3,885)	6,788
South West Screen	120	420	6	(364)	182
Total	5,338	11,947	288	(8,260)	9,313

Schedule 3 lists the individual lottery awards made by these delegates during the year.

Note 18: Intra-government balances

As at 31 March the following Intra-government balances were in existence:

	2005/06 £000	2004/05 £000
Funds held at the National Lottery Distribution Fund	39,130	44,780
Funds held at Arts Council England	13,233	15,000
Funds due from HM Revenue and Customs re VAT	610	998

Balances due from the UK Film Council:

Balance due to HM Revenue and Customs re Corporation Tax	123	93
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Notes to the financial statements continued

Note 19: Related parties

The UK Film Council maintains a publicly available register of Board Directors' interests. Board Directors declare any direct interest in award applications made to the Council

and commercial relationships with the Council. They exclude themselves from the relevant application appraisal, discussion and decision process within UK Film Council.

The following related party transactions occurred during the period:

ORGANISATION	NAME	RELATIONSHIP TO RECIPIENT ORGANISATION	AWARD 2005/06 £	AWARD OUTSTANDING 31 MARCH 2006 £
Directors of UK Film Council				
Bend It Films Ltd	Gurinder Chadha OBE (Paul Burgess, Gurinder Chadha's husband, is also a director of Bend It Films Ltd)	Director	71,918	18,668
British Film Institute	Anthony Minghella CBE	Chair	55,700	42,721
Capitol Films Ltd	Marc Samuelson	Non-Executive Director	–	985,078
Carlton TV Ltd	Parminder Vir OBE	Employee	2,000	2,000
CFF Enterprises Ltd	Iain Smith	Director	–	10,744
Domino Pictures Ltd	Alison Owen	Director	–	762,903
Everyman Cinema Club	Anthony Minghella CBE	Committee Member	48,750	48,750
Go Go Pictures Ltd	Alison Owen	Director	–	37,500
Revolution Films Ltd	Andrew Eaton	Director	17,740	–
Samuelson Bertie Ltd	Marc Samuelson	Director	300,000	172,500
Samuelson Productions Ltd	Marc Samuelson	Director	–	15,937
Scarlet Pictures Ltd	Alison Owen	Director	–	11,750
The Script Factory	Anthony Minghella CBE	Board Member	–	2,876
Seven Seas (SL) Ltd	Alison Owen	Director	650,000	65,000
Skillset	Stewart Till CBE Parminder Vir OBE Anthony Minghella CBE	Deputy Chair Patron Advisory Board Member	–	5,753,964
Snow Cake Film Ltd	Andrew Eaton	Director	100,000	41,250
Vue Entertainment Holdings (UK) Ltd	Stephen Knibbs	Director	2,054,762	1,910,477
Employees of the UK Film Council				
Glasgow Media Access Centre	Alice Stillgoe	Family member/employee	50,000	5,000
Skillset	John Woodward	Director	–	5,753,964

In addition, £365,206 was paid to Olswang Solicitors for professional services rendered in the year. Mark Devereux is a Senior Partner in this firm.

The UK Film Council is constituted as a company limited by guarantee, the sole guarantee of £1 is provided by the Secretary of State for Culture, Media and Sport.

Schedules to financial statements

Schedule 1: Film rights at 31 March 2006

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMITMENTS £	RECOUPMENT £	DECOMMITMENTS £	PROVISIONS £	BALANCE TO DATE £
Hard commitments in 2005/06								
Premiere Fund awards								
Becoming Jane Films Ltd	Becoming Jane			1,513,062				1,513,062
Closing the Ring Ltd	Closing the Ring			2,076,000				2,076,000
Driving Lessons Ltd	Driving Lessons			917,303			(320,000)	597,303
Hopping Mad Distribution (IOM) Ltd and Miss Potter Inc	Miss Potter			1,200,000				1,200,000
Lyric Films Ltd	Life & Lyrics			1,214,500			(485,800)	728,700
Mischief Night Ltd	Mischief Night			800,000			(400,000)	400,000
Northern Souls Films Ltd	Love + Hate (aka Northern Souls)			64,061		(2,399)		61,662
P&D Financing Ltd	Opal Dream (aka Pobby and Dingan)			70,000				70,000
Samuelson Bertie Ltd	Stormbreaker			2,300,000				2,300,000
Severance Films Ltd	P45 (aka Severance)			750,000	(26,797)		(300,000)	423,203
Snow Cake Film Ltd	Snowcake			1,100,000			(230,000)	870,000
Tartan Film Distribution Ltd	The Proposition			48,750				48,750
Untitled 06 Distribution Ltd	Untitled - Mike Leigh 2			1,200,000			(720,000)	480,000
Venus Pictures Ltd	Venus			1,000,000			(200,000)	800,000
WAZ Distribution Ltd	WAZ			932,017			(465,000)	467,017
Wilderness Films Ltd	Wilderness			360,000			(180,000)	180,000
Development slate awards								
Bend It Films Ltd	Slate funding			34,418				34,418
Passion Pictures Ltd	Slate funding			70,000				70,000
Tall Stories Ltd	Slate funding			2,400				2,400

Schedules to financial statements continued

Schedule 1: Film rights at 31 March 2006 continued

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMIT MENTS £	RECOUP MENT £	DECOMMIT MENTS £	PROVISIONS £	BALANCE TO DATE £
Development Fund Awards								
Acid Bath Ltd	Ghetta Life			10,754			(10,754)	–
Advance Party Films Ltd	Red Road			10,963				10,963
Archer Street Ltd	Incendiary			50,000				50,000
Assassin Films Ltd	Mrs Radcliffe's Revolution			10,000				10,000
Autonomous Pictures Ltd	Boogie Woogie			19,500			(19,500)	–
Blueprint Pictures Ltd	War Reporting on Cowards			9,250			(9,250)	–
Celador Films Ltd	Samuel Pepys: The Unequalled Self			23,250			(23,250)	–
Chris Thompson and Peter Reynolds	MacNab			12,500			(12,500)	–
Cougar Films Ltd	@			12,000			(12,000)	–
Cougar Films Ltd	Black Ice			1,280			(1,280)	–
Courtland Productions Ltd	Above the Clouds			34,500			(34,500)	–
Crab Apple Films Ltd	The Darkest Hour			17,280			(17,280)	–
Escape Pictures Ltd	Wedding Project			45,176				45,176
Feelgood Fiction Ltd	Rose of Tralee (aka Miss Emerald)			4,375			(4,375)	–
Feelgood Fiction Ltd	Unscathed			22,750			(22,750)	–
Fiesta Productions Ltd	Solid			8,500				8,500
Free Range Films Ltd	24 Exposures			20,000			(20,000)	–
Go Go Pictures Ltd	Diamonds			75,000			(75,000)	–
Gruber Films Ltd	D			30,000				30,000
Gruber Films Ltd	Untitled Peter Capaldi project			18,938				18,938
Harbour Pictures Ltd	Operatunity			31,750			(31,750)	–
Hattie Dalton	Cry Out Loud			12,500				12,500
Holdings Ecosse Ltd t/a Sell Out Pictures	VIY			18,250			(18,250)	–
Impact Pictures Ltd	100 Voices			28,000			(28,000)	–
Jamperswang Ltd	Bushido: Way of the Warrior			24,500			(24,500)	–
Kismet Film Company Ltd	Ugly Streakers (aka Streakers)			6,500				6,500
Kudos Film & Television Ltd	Spy by Nature			22,000				22,000
Magic Light Pictures (Commissioning) IOM Ltd	Sparkle			15,468	(15,468)			–
Magic Light Pictures Ltd	Three Way Split			22,500				22,500
Matthew McGuchan	Hummingbird			12,500			(12,500)	–

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMITMENTS £	RECOUPMENT £	DECOMMITMENTS £	PROVISIONS £	BALANCE TO DATE £
Development Fund awards <i>continued</i>								
Midfield Films Ltd	Storage			30,658				30,658
Modern Films Ltd	School			29,000			(29,000)	–
Modern Films Ltd	The Night Country			30,155				30,155
Modern Films Ltd	Under the Skin			111,949				111,949
October Films Ltd	The Wedding Party			29,750				29,750
Parachute Pictures Ltd (previously Peartree Pictures Ltd)	No Such Thing (aka The Pear Tree)			13,000				13,000
Parallax Pictures Ltd	Cross Your Heart			19,000			(19,000)	–
Peter Harness	The Bone Family			12,500			(12,500)	–
Pipedream Pictures Ltd	Ghsthunter			1,000			(1,000)	–
Priority Pictures Ltd	The Club			73,500				73,500
Prospect Entertainment Ltd	My Soul to Keep			13,375			(13,375)	–
Raymond Friel and Derek Boyle	Petectives (aka The Real Pet Detective)			12,500			(12,500)	–
Sally Potter Films Ltd	Actor based development			9,600			(9,600)	–
Sally Potter Films Ltd	Branded			9,600			(9,600)	–
Sally Potter Films Ltd	In the Beginning			9,600				9,600
Sally Potter Films Ltd	Molly Bloom goes to Moscow			9,600			(9,600)	–
Sally Potter Films Ltd	Napoli			9,600			(9,600)	–
Samuelson Pictures Ltd	Midwich Cuckoos			12,000			(12,000)	–
Scarlet Pictures Ltd	Balance of Power			7,000				7,000
Seymour Films Ltd	The Property (aka Property Ladder)			19,900				19,900
Sidewalk Films Ltd	Sickened			36,500			(36,500)	–
Silence is Golden Ltd	Untitled Crowley project			47,500			(47,500)	–
Starfield Productions Ltd	The Describer			2,500				2,500
Straightheads Ltd	Straightheads			16,250	(26,125)		9,875	–
The American Ltd	The American			100,000			(100,000)	–
The Coat Ltd	The Coat			9,000			(9,000)	–
Tomboy Films Ltd	Le Docteur Chinois			39,250			(39,250)	–
Ultra Film Ltd	Exposure			12,075			(12,075)	–
Vestry Films Ltd	New Town Killers			36,000				36,000

Schedules to financial statements continued

Schedule 1: Film rights at 31 March 2006 continued

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMIT MENTS £	RECOUP MENT £	DECOMMIT MENTS £	PROVISIONS £	BALANCE TO DATE £
New Cinema Fund awards								
Adam Sharp	Little Thief			4,510			(4,510)	–
Advance Party Films Ltd	Red Road			436,144			(220,000)	216,144
Appointed Limits Ltd	Appointed Limits			354,295			(182,148)	172,148
Avie Luthra Films Ltd	Lucky			6,245			(6,245)	–
B3 Media	Digital shorts			44,375			(44,375)	–
Beastly Films Ltd	Restraint of Beasts			650,000			(325,000)	325,000
Bill and Ben Productions Ltd	Mockingbird			7,230			(7,230)	–
Breakthrough Films Ltd	The Clap			4,203			(4,203)	–
Bub Ltd	Set It Off - Cinema Extreme			25,000			(25,000)	–
Cowboy Films Ltd	Wasp			2,750	(4,552)		1,802	–
David Paradine Productions Ltd	In Search of Diego			10,000	(10,000)			–
EM Media Ltd	Digital shorts			44,375			(44,375)	–
Glasgow Media Access Centre Ltd (GMAC)	Digital shorts			40,000			(40,000)	–
Granada Television Ltd	Pierpoint (aka The Last Hangman)			330,000			(165,000)	165,000
Jigsaw Films Ltd	Starry Night			6,990			(6,990)	–
Just B Productions	Cinema Next conference			9,000			(9,000)	–
Konink Studios PTE Ltd	Piano Tuner of Earthquakes			300,862			(250,000)	50,862
Lifesize Pictures Ltd	Shorts project management			163,406			(163,406)	–
London Film and Video Development Agency Ltd	Digital shorts			44,375			(44,375)	–
Magic Light Pictures Ltd	Sparkle			377,600			(188,800)	188,800
Mayavision Ltd	Shorts Completion Fund			25,500			(25,500)	–
Mountain Productions Ltd	White Lightenin'			10,000			(10,000)	–
North West Vision Ltd	Digital shorts			50,000			(50,000)	–
Northern Film & Media Ltd	Digital shorts			50,000			(50,000)	–
Northern Ireland Film Commission	Digital shorts			50,000			(50,000)	–
Passion Pictures Ltd	Feet in the Clouds			10,000			(10,000)	–
Puffball Stories Ltd	Puffball			570,000			(285,000)	285,000
Relish Productions Ltd	Numb			10,000			(10,000)	–
Sacha Guttenstein	Pitch Perfect - Completion			8,510			(8,510)	–
Screen East Ltd	Digital shorts			44,375			(44,375)	–
Screen South Ltd	Digital shorts			44,375			(44,375)	–

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMITMENTS £	RECOUPMENT £	DECOMMITMENTS £	PROVISIONS £	BALANCE TO DATE £
New Cinema Fund awards continued								
Screen West Midlands Ltd	Digital shorts			44,375			(44,375)	–
Screen Yorkshire Ltd	Digital shorts			44,375			(44,375)	–
Seven Seas (SL) Ltd	Brick Lane			650,000			(325,000)	325,000
Sgrin	Digital shorts			44,375			(44,375)	–
Sister Films Ltd	Antonio's Breakfast			5,950			(5,950)	–
Sister Films Ltd	Rare Books and Manuscripts			5,640			(5,640)	–
Sixteen (Barley) Ltd and Element Films Ltd	The Wind that Shakes the Barley			545,000			(272,500)	272,500
Smoking Dogs Films Ltd	Fela Kuti - Black President			9,940			(9,940)	–
South West Film Ltd	Digital shorts			44,375			(44,375)	–
Straightheads Ltd	Straightheads			618,200			(309,100)	309,100
Ultra Film Ltd	Exposure			10,000			(10,000)	–
Warp Bulldog Ltd	Bulldog (aka Oi! This is England)			668,000			(334,000)	334,000
Warp Films Ltd	Low budget feature film project			116,766			(58,383)	58,383

Franchise Awards

DNA Ltd	DNA General Overheads			495,711				495,711
DNA Ltd	Last King of Scotland			1,368,634				1,368,634
DNA Ltd	Notes on a Scandal			4,587,768				4,587,768
DNA Ltd	Sunshine			6,528,090				6,528,090

Total hard commitments made 2005/06

36,566,175 (82,941) (2,399) (7,875,092) 28,605,743

Film rights as at 1 April 2005

Premiere Fund awards

Academy Films Ltd	Opal Dream (aka Pobby and Dingan)	900,000	450,000				(400,000)	50,000
Ariel Films Ltd	Sylvia (aka Ted & Sylvia)	2,497,463	102,000					102,000
Autonomous Proposition Ltd	The Proposition	1,885,000	750,000		(203,764)		(500,000)	46,236
Cine B and Tubedale Films Ltd	L'homme du train	500,000	127,163		(169,775)		42,612	–
Dan Films Ltd	Creep	1,260,000	715,000		(727,500)	(56,072)	68,572	–
Devotion Films Ltd	Sex Lives of the Potato Men	1,955,589	997,589		(512,769)	(291,351)		193,469
Fragile Films Ltd	The Importance of Being Earnest	1,320,000	68,376		1,212			69,588
Fragile Films Ltd	Valiant	2,580,645	884,516		(846,687)			37,829
Greenpoint Productions Ltd	Only Human	298,723	107,484		(69,102)			38,382

Schedules to financial statements continued

Schedule 1: Film rights at 31 March 2006 continued

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMIT MENTS £	RECOUP MENT £	DECOMMIT MENTS £	PROVISIONS £	BALANCE TO DATE £
Premiere Fund awards continued								
Hallmark Entertainment Ltd	Mike Bassett: England Manager	1,233,000	35,738					35,738
Ladies in Lavender Ltd	Ladies in Lavender	1,979,850	959,850		(1,005,156)		45,306	–
Northern Souls Films Ltd	Love + Hate (aka Northern Souls)	802,903	280,903		(252,425)			28,478
Potboiler Productions Ltd, Focus Features LLC & Constant Gardener Ltd	The Constant Gardener	2,000,000	1,270,000		(1,463,000)	(100,000)	293,000	–
Recorded Picture Company Ltd	Young Adam	501,955	26,690		(20,476)	(55)		6,159
Revolution Films Ltd	Code 46	1,565,063	40,549		(49,549)		9,000	–
Sandfairy Productions Ltd	Five Children and It	2,671,500	571,500		(401,008)	(171,500)	1,008	–
Untitled '03 Ltd and Untitled '03 Productions Ltd	Vera Drake (aka Untitled Mike Leigh)	1,277,632	695,864		(543,380)	(20,000)		132,484
Young Pirate Films Ltd	Festival	700,000	480,000		(96,666)			383,334
Development slate awards								
Autonomous Ltd	Slate funding	341,000	1		(2,004)		2,003	–
Capitol Productions Ltd	Slate funding	1,200,000	600,000					600,000
Company Pictures Ltd	Slate funding	225,000	105,000		(60,000)			45,000
Darlow Smithson Productions Ltd	Slate funding	750,000	375,000					375,00
Domino Pictures Ltd	Slate funding	900,000	450,000					450,000
Ecosse Films Ltd	Slate funding	250,000	62,500		(151,578)		89,078	–
Fragile Films Ltd	Slate funding	1,450,000	650,000					650,000
Gruber Films Ltd	Slate funding	100,000	100,000					100,000
Impact Pictures Ltd	Slate funding	108,500	0		(81,375)		81,375	–
Jupiter Projects Ltd	Slate funding	1,200,000	600,000					600,000
Little Bird Company Ltd	Slate funding	250,000	124,289					124,289
Number 9 Films (Slate) Ltd	Slate funding	1,200,000	600,000					600,000
Pathe Productions Ltd	Slate funding	1,050,000	525,000					525,000
Qwerty Films Ltd	Slate funding	500,000	62,500		(209,312)		146,812	–
Recorded Picture Company Ltd	Slate funding	450,000	0		(50,987)		50,987	–
Riverchild Films Ltd	Slate funding	130,000	32,500					32,500
Robert Fox Ltd t/a Fox Philips	Slate funding	200,000	70,000					70,000
Ruby Films Ltd	Slate funding	285,000	75,976		(20,900)			55,076
Shona Productions Ltd	Slate funding	8,850	8,850					8,850

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMIT MENTS £	RECOUP MENT £	DECOMMIT MENTS £	PROVISIONS £	BALANCE TO DATE £
Other Development awards								
Assassin Films & Swag Productions Ltd	Mrs Radcliffe's Revolution	20,240	20,240					20,240
Denne & Winn Ltd	Storage	19,750	19,750					19,750
Driving Lessons Ltd	Driving Lessons	10,000	10,000					10,000
Four Horsemen Films Ltd	The Cottage	15,600	15,600				(15,600)	–
Idea Mine Ltd	Blood Ties	17,500	17,500				(17,500)	–
Intrepido Ltd	One Minute Past Midnight	25,000	–		(5)		5	–
Northmen Productions Ltd	Outpost	500	500				(500)	–
Oscar Films Ltd	Little Sister	19,360	19,360				(19,360)	–
Pirate Productions Ltd	Festival	2,494	2,494		(2,494)			–
Qwerty Films Ltd	P45 (aka Severance)	27,750	27,750					27,750
Straightheads Ltd	Straightheads	44,375	29,500		(29,500)			–
New Cinema Fund awards								
A Woman in Winter Ltd	A Woman in Winter	392,200	196,100					196,100
Adventure Pictures (Yes) Ltd	Yes	449,500	164,075		(129,112)		(25,000)	9,963
Antonine Films Ltd	The Magdalene Sisters	600,000			(90,395)		90,395	–
APT Film and Television Ltd	Appointed Limits	10,000	10,000					10,000
AWOL Films Ltd	A Way of Life	422,000	5,000					5,000
Breakthru Films Ltd	Peter and the Wolf	10,000	10,000					10,000
Café Productions Ltd	Big Blue (aka Game Over aka Kasparov and the Machine)	178,117	53,117				(43,117)	10,000
Common Features Ltd	This Little Life (aka Entering Blue Zone)	241,000	3,972		(38,028)		34,056	–
Company of Wolves Ltd	Intermission	570,000	116,417		(12,838)			103,579
Ex Nihilo SARL and Bluelight L'Ecole Ltd	Innocence (aka L'ecole)	397,330	38,193					38,193
Gayle Griffiths Productions Ltd	Kiss of Life (aka Helen of Peckham)	500,000	17,500				(7,500)	10,000
Granada Films Ltd	Bloody Sunday	299,500	53,638		(6,643)			46,994
Home Movies Ltd	Tomorrow, La Scala! (aka Sweeney)	247,406	46,907					46,907
JSB Production Ltd and Huit et Demi Production SARL and Zeal SRL	Lila dit ça	400,000	108,687		(64,877)			43,810
Kivu Films Ltd	Shooting Dogs	675,000	165,000		(61,350)			103,650

Schedules to financial statements continued

Schedule 1: Film rights at 31 March 2006 continued

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMIT MENTS £	RECOUP MENT £	DECOMMIT MENTS £	PROVISIONS £	BALANCE TO DATE £
New Cinema Fund awards continued								
Little Bird Company Ltd and In My Fathers Den Productions Ltd	In My Father's Den	405,000	38,095				(33,095)	5,000
One Love Films Ltd	One Love	899,827			(7,749)		13,146	5,396
Parallax (Blind Flight) Ltd	Blind Flight	450,000	31,517		(45)		(21,472)	10,000
Passion Dox Ltd	Live Forever	212,249	13,447		(3,537)			9,911
Rainmaker Films Ltd	Diameter of the Bomb	181,003	26,453				(26,453)	–
Revengers Ltd	Revenger's Tragedy	510,000			(509)		509	–
Shine Ltd	Bullet Boy	450,000	40,000					40,000
Sixteen Films (Trains) Ltd and Fandango SRL	Tickets	390,453	95,453		(18,275)			77,178
Slate Films Ltd	Once Upon a Time in the Midlands	750,000	23,079					23,079
Starfield Productions Ltd	Anita and Me	675,000	61,913		(4,344)			57,569
Starfield Productions Ltd	Ape	178,000	10,000					10,000
The Bureau Film Company Ltd	Noi the Albino	100,000	37,738		(1,778)		(25,960)	10,000
Third Rock Ltd	AKA	104,045	10,867					10,867
Truth About Love (Finance) Ltd	The Truth about Love	544,104	146,776		(123,093)		(23,682)	–
Yaffle Films Ltd	The Bypass	26,088				(1)	1	–
Other film awards								
Ashford Entertainment Ltd	Hands Up	25,347				(760)	760	–
Ashford Entertainment Ltd	How Mermaids Breed	32,341				(809)	809	–
Company Pictures Ltd	Morvern Callar	500,000	23,684					23,684
Dragon Pictures Ltd	Very Annie Mary (aka Untitled Wales Ltd)	50,000	9,750			(25,000)	25,000	9,750
Frames of Reference Films Ltd	Delilah	21,325				(533)	533	–
Mariner Films Ltd	Pandaemonium	63,152	12,626					12,626
Martin Pope Productions Ltd	The Lawless Heart	200,000	18,615		(12)			18,603
Modern Film Ltd	Shadow Man	20,000				(500)	500	–
Penultimate Productions Ltd	King's Ransom	27,025				(8,107)	8,107	–
The Illuminated Film Company Ltd	Wargame	400,000	34,459					34,459
The Jones Company Ltd	Simon Magus	21,730	1,730					1,730
Working Title Two Ltd	Long Time Dead	1,000,000			(303,126)		303,126	–

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMITMENTS £	RECOUPMENT £	DECOMMITMENTS £	PROVISIONS £	BALANCE TO DATE £
Franchise awards								
DNA Ltd	A Way Through the Woods	1,474,635	737,318			(19,146)		718,172
DNA Ltd	DNA general overheads	527,553	263,777				(100,000)	163,777
DNA Ltd	Heartlands	1,430,000	19,042					19,042
DNA Ltd	Jamie Frankel	4,392	2,196					2,196
DNA Ltd	The Last King of Scotland	1,389	694					694
DNA Ltd	Sunshine	133,333	66,666					66,666
DNA Ltd	The Parole Officer	2,000,000	943,334					943,334
DNA Ltd	28 Days Later	3,225,000	841,518		(841,518)			-
Pathé Productions Ltd	A Romantic Comedy about Divorce	138,750				(21,250)	21,250	-
Pathé Productions Ltd	A Semester Abroad	34,250				(14,000)	14,000	-
Pathé Productions Ltd	Bride & Prejudice	2,000,000	650,000		(563,628)			86,372
Pathé Productions Ltd	Churchill, the Hollywood Years	1,100,000	348,973		(254,997)			93,975
Pathé Productions Ltd	Dear Frankie (aka Natural History)	900,000	108,587		(7,051)			101,535
Pathé Productions Ltd	Enduring Love	1,799,000	622,209		(388,070)			234,140
Pathé Productions Ltd	Fires of Mademoiselles	100,000	100,000			(33,000)	(67,000)	-
Pathé Productions Ltd	Girl With a Pearl Earring	2,000,000	325,046		(379,443)		54,397	-
Pathé Productions Ltd	It was an Accident	75,251	2,499					2,499
Pathé Productions Ltd	Magic Roundabout	3,000,000	1,250,000		(88,195)		(580,000)	581,805
Pathé Productions Ltd	Max (aka Hoffmann)	1,971,830	18,799					18,799
Pathé Productions Ltd	Millions	2,000,000	1,000,000		(948,587)			51,413
Pathé Productions Ltd	Mrs Henderson Presents	2,200,000	1,300,000			(200,000)		1,100,000
Pathé Productions Ltd	Suzie Gold	700,000	41,083		(5,231)			35,852
Pathé Productions Ltd	The Abduction Club	1,500,000	3,907					3,907
Pathé Productions Ltd	The Blitz	100,000	100,000				(100,000)	-
Pathé Productions Ltd	The Hole	1,500,000	59,668		(174,745)		115,077	-
Pathé Productions Ltd	The Mighty Walzer	57,000				(2,575)	2,575	-
Pathé Productions Ltd	The One and Only	1,750,000	150				(150)	-
Pathé Productions Ltd	The Season	47,515				(36,000)	36,000	-
Pathé Productions Ltd	Thunderpants	2,053,867	28,368		(225)			28,143
Pathé Productions Ltd	Untitled - Bollywood	41,500	41,500		(21,000)	(20,500)		-
Pathé Productions Ltd	With Prejudice	46,530	46,530			(19,000)		27,530
The Film Consortium Ltd	51st State	2,000,000	432,341		(600,348)		168,006	-

Schedules to the financial statements continued

Schedule 1: Film rights at 31 March 2006 continued

PRODUCER	DESCRIPTION	GROSS AWARD £	BALANCE AT 1 APRIL 2005 £	NEW COMMIT MENTS £	RECOUP MENT £	DECOMMIT MENTS £	PROVISIONS £	BALANCE TO DATE £
Franchise awards continued								
The Film Consortium Ltd	A Christmas Carol	1,624,112	176,089					176,089
The Film Consortium Ltd	Bugs!	1,033,750	222,739		(124,233)			98,506
The Film Consortium Ltd	Clean	370,300	15,000				(15,000)	–
The Film Consortium Ltd	Country of my Skull	2,425,000	939,688		(962,908)		23,220	–
The Film Consortium Ltd	Deadline Beirut	373,403	20,000					20,000
The Film Consortium Ltd	Dust	1,987,759	71,299		(18,131)			53,168
The Film Consortium Ltd	Guy X	10,000	1,000		(4,500)	(1,000)	4,500	–
The Film Consortium Ltd	Hall of Tales	11,000	11,000					11,000
The Film Consortium Ltd	My Summer of Love	486,755	486,755		(486,755)			–
The Film Consortium Ltd	Room to Rent - 428	80,000	428					428
The Film Consortium Ltd	In This World (aka Silk Road)	662,804	44,344		(12,934)			31,410
The Film Consortium Ltd	The Other Half	27,000				(3,500)	3,500	–
The Film Consortium Ltd	The Brian Jones Project	19,000			(19,000)		19,000	–
The Film Consortium Ltd	Republic of Love	1,022,222			(10,568)		10,568	–
The Film Consortium Ltd	24 Hour Party People	2,767,842	161,407		(6,090)		(50,000)	105,316
Total hard commitments made in prior years			26,296,289		(13,752,032)	(1,044,658)	(292,631)	11,206,968
Total film rights at 31 March 2006			26,296,289	36,566,175	(13,834,973)	(1,047,057)	(8,167,723)	39,812,711

Schedule 2: Lottery awards in the year ending 31 March 2006

Film awards to non-franchises disclosed as soft commitments

PRODUCER	FILM/PROJECT	£
2am Films Ltd	Honeymoon - Cinema Extra (Short)	25,000
Advance Party Films Ltd	Red Road	10,963
Archer Street Ltd	How to Start Your Own Country	142,750
Archer Street Ltd	Incendiary	50,000
Assassin Films Ltd	Mrs Radcliffe's Revolution (add'l)	10,000
Assassin Films Ltd	West is West	111,000
B3 Media	Digital shorts	40,000
Balfe Campbell Productions Ltd	Exit the Situation (Short)	7,935
Beastly Films Ltd	Restraint of Beasts	650,000
Becoming Jane Films Ltd	Becoming Jane	1,513,062
Bend It Films Ltd	Slate funding - year 2	34,418
Bend It Films Ltd	Trumpet	37,500
Bub Ltd	Set It Off - Cinema Extreme (Short)	25,000
Carlton Television Ltd	Prince of Dalston	2,000
Celador Films Ltd	Samuel Pepys: The Unequaled Self	25,000
Chris Thompson and Peter Reynolds	MacNab	12,500
Clockwork Pictures Ltd	The Sofa (aka Knife in the Sofa) (Short)	5,380
Closing the Ring Ltd	Closing the Ring	2,076,000
Cougar Films Ltd	@	12,000
Cougar Films Ltd	Mind the Gap	25,725
Courtland Productions Ltd	Above the Clouds	34,500
Crab Apple Films Ltd	The Darkest Hour	17,280
Cuba Pictures Ltd	An Equal Music	24,500
David Aukin Productions Ltd	West Bank (add'l)	7,000
David Paradine Productions Ltd	In Search of Diego (Pilot)	10,000
Dom Pictures Ltd	Family Man	16,125
Driving Lessons Ltd	Driving Lessons	207,303
East Midlands Media Initiative (EM Media)	Digital shorts	40,000
Elisabeth Charbonneau	Kochana Cafe (Short)	5,290
Escape Pictures Ltd	The Wedding Project	45,176
Feelgood Fiction Ltd	Miss Emerald (aka Rose of Tralee)	4,375
Feelgood Fiction Ltd	Unscathed	22,750
Fern Gully Tales Ltd	The Tiger's Tail	1,000,000
Fiesta Productions Ltd	Solid (add'l)	8,500
Film London Ltd	Care - Digital Shorts Plus 2005	10,000

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Film awards to non-franchises disclosed as soft commitments continued

PRODUCER	FILM/PROJECT	£
Film London Ltd	Digital shorts	40,000
Finola Dwyer Productions Ltd	Untitled Aspinall project	112,500
Free Range Films Ltd	24 Exposures	20,000
Glasgow Media Access Centre Ltd (GMAC)	Digital shorts	40,000
Glasgow Media Access Centre Ltd (GMAC)	Skypark - Digital Shorts Plus 2005	10,000
Granada Television Ltd	Pierpoint (aka The Last Hangman)	330,000
Gruber Films Ltd	D	30,000
Gruber Films Ltd	Untitled Peter Capaldi project	18,938
Hannah Gal	Hush - Completion funding	4,499
Hattie Dalton	Cry Out Loud	12,500
Holdings Ecosse Ltd t/a Sell Out Pictures	VIY	18,250
Hopping Mad Distribution (IOM) Ltd and Miss Potter Inc	Miss Potter	1,200,000
Impact Pictures Ltd	100 Voices	375
Jigsaw Films Ltd	Cherub: The Recruit	8,500
Just B Productions	Cinema Next conference	9,000
Justin Trefgarne	Nightshift	10,000
Kismet Film Company Ltd	Streakers (aka Ugly Streakers)	6,500
Kubista Ltd	Fine (Short)	5,800
Kudos Film & Television Ltd	A Spy by Nature	22,000
Lifesize Pictures Ltd	Shorts project management	163,406
Likely Story Ltd	The Other Man (Short)	7,500
Lyric Films Ltd	Life & Lyrics (aka Solid)	1,414,500
Magic Light Pictures (Commissioning) IOM Ltd	Sparkle	377,600
Magic Light Pictures Ltd	Sparkle	15,468
Magic Light Pictures Ltd	Three Way Split	22,500
Matthew McGuchan	Hummingbird	12,500
Mayavision International Ltd	Completion Fund (short film scheme)	25,500
Midfield Films Ltd	Storage	775
Mischief Night Ltd	Mischief Night	50,000
Modern Films Ltd	School	29,000
Modern Films Ltd	The Night Country	30,155
Modern Films Ltd	Under the Skin	111,949
Mountain Productions Ltd	White Lightenin'	10,000

PRODUCER	FILM/PROJECT	£
North West Vision Ltd	Boot Polish - Digital Shorts Plus 2005	10,000
North West Vision Ltd	Digital shorts	40,000
Northern Film and Media Ltd	Digital shorts	40,000
Northern Film and Media Ltd	Making of Parts - Digital Shorts Plus 2005	10,000
Northern Ireland Film and Television Ltd	Digital shorts	40,000
Northern Souls Films Ltd	Love + Hate (add'l)	15,000
October Films Ltd	The Wedding Party	29,750
P&D Financing Ltd	Opal Dream (aka Pobby and Dingan)	70,000
Parachute Pictures Ltd (previously Peartree Pictures Ltd)	No Such Thing (aka The Pear Tree)	13,000
Passion Pictures Ltd	Feet in the Clouds	10,000
Passion Pictures Ltd	How I Live Now	76,965
Passion Pictures Ltd	Slate funding - year 3	70,000
Peter Harness	The Bone Family	12,500
Picture Farm Ltd	Normal for Norfolk (Short)	7,750
Pipedream Pictures Ltd	Ghosthunters	1,000
Pistachio Pictures Ltd	One Two Hundred and Fiftieth of a Second (Short)	10,805
Priority Pictures Ltd	The Club	73,500
Puffball Stories Ltd	Puffball	664,214
Qwerty Films Ltd	Georgiana, Duchess of Devonshire	18,400
Qwerty Films Ltd	Low budget feature film project	1,500,000
Raymond Friel and Derek Boyle	Petectives (aka The Real Pet Detective)	12,500
Red Road Films Ltd	Red Road	436,144
Redhouse Communications Ltd	Das Schuh (Short)	2,425
Relish Productions Ltd	Numb (Pilot)	10,000
Sally Potter Films Ltd	Actor based developments	9,600
Sally Potter Films Ltd	Branded	9,600
Sally Potter Films Ltd	In the Beginning	9,600
Sally Potter Films Ltd	Molly Bloom goes to Moscow	9,600
Sally Potter Films Ltd	Napoli	9,600
Samuelson Bertie Ltd	Stormbreaker	300,000
Scarlet Pictures Ltd	Balance of Power (add'l)	7,000
Screen East Ltd	Digital shorts	40,000
Screen South Ltd	Digital shorts	40,000
Screen West Midlands Ltd	Digital shorts	40,000

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Film awards to non-franchises disclosed as soft commitments continued

PRODUCER	FILM/PROJECT	£
Screen West Midlands Ltd	Romance - Digital Shorts Plus 2005	10,000
Screen Yorkshire Ltd	Digital shorts	44,000
Seven Seas (SL) Ltd	Brick Lane	650,000
Severance Films Ltd	Severance (aka P45)	765,000
Seymour Films Ltd	The Property (aka Property Ladder)	23,900
Sgrin	Digital shorts	40,000
Silence is Golden Ltd	Untitled Crowley project	47,500
Sister Films Ltd	Dad - Completion funding	5,500
Sixteen (Barley) Ltd and Element Films Ltd	The Wind that Shakes the Barley	545,000
Snow Cake Film Ltd	Snow Cake (add'l)	100,000
South West Screen Ltd	Banged Up - Digital Shorts Plus 2005	10,000
South West Screen Ltd	Digital shorts	40,000
Starfield Productions Ltd	The Describer	2,500
Straightheads Ltd	Straightheads (add'l)	16,250
Straightheads Ltd and Straightheads (Two) Ltd	Straightheads (add'l)	118,200
Tall Stories Ltd	Additional slate funding	2,400
Taxi Productions Ltd	Homeland (aka Monsieur Hire aka You Are Here)	25,000
The Coat Ltd	The Coat	9,000
Ultrafilm Ltd	Exposure - pilot	10,000
Ultrafilm Ltd	Exposure	12,075
Untitled 06 Distribution Ltd	Untitled '06 (Mike Leigh)	1,200,000
Venus Pictures Ltd	Venus	1,000,000
Vestry Films Ltd	New Town Killers	36,000
Warp Bulldog Ltd	Bulldog (aka Oi! This is England)	668,000
Warp Developments Ltd	Planet Arse	7,000
Warp Films Ltd	Low budget feature film project	1,500,000
WAZ Distribution Ltd	WAZ	932,017
Wilderness Films Ltd	Wilderness	60,000
Total single film project awards		21,967,040

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Specialised print and advertising awards

PRODUCER	FILM/PROJECT	£
Alliance Atlantic Releasing Ltd	Broken Flowers	180,000
Artificial Eye Film Company Ltd	Hidden	25,000
British Film Institute	Show Me/50 Ways of Saying Fabulous/Interviews with my Next Girlfriend	1,200
Dogwoof Ltd	King's Game (aka Kongekabale)	46,700
Eureka Entertainment Ltd	Junebug	44,800
Guerilla Films Ltd	Frozen	21,000
ICA Projects Ltd	Sophie Scholl	7,000
Icon Film Distribution Ltd	Match Point	53,000
Icon Film Distribution Ltd	Rock School	39,000
Metrodome Distribution Ltd	Dear Wendy	20,285
Metrodome Distribution Ltd	Mad Hot Ballroom	50,180
Metrodome Distribution Ltd	Shooting Dogs	17,750
Alliance Atlantis Releasing Ltd t/a Momentum Pictures Ltd	Tsotsi	150,000
Optimum Releasing Ltd	Murderball	45,000
Pathé Distribution Ltd	Transamerica	100,000
Pathé Distributuion ltd	Breakfast on Pluto	70,000
Peccadillo Pictures Ltd	Cockles & Muscles	22,070
Redbus Film Distributuion Ltd	A Cock and Bull Story	200,000
Revolution Films Ltd	The Road to Guantanamo	17,740
Revolver Films Ltd	Grizzly Man	9,676
Revolver Films Ltd	Kidulthood	76,295
Shooting People Ltd	Unknown White Male	31,863
Soda Pictures Ltd	Crossing the Bridge - The Sound of Istanbul	11,340
Puffball Stories Ltd	Puffball - additional award	94,214
Tartan Film Distribution Ltd	The Proposition	173,196
Tartan Film Distribution Ltd	U-Carmen eKhayelitsha	10,700
The Film Consortium Ltd	Guy X	39,800
Tip Top Entertainment Ltd	Iqbal	50,000
Trinity Filmed Entertainment Ltd	The Magician	43,260
Twentieth Century Fox Film Company Ltd	Night Watch	200,000
Verve Pictures Ltd	Love + Hate	14,500
Warner Bros Entertainment UK Ltd	March of the Penguins	200,000

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Specialised print and advertising awards continued

PRODUCER	FILM/PROJECT	£
Yash Raj Films International Ltd	The Rising	149,650
Yume Pictures Limited	Quo Vadis, Baby?	13,500
Total specialised print and advertising awards		2,228,719

Cinema equipment awards

DSN Usage support	39 awards less than £10,000	86,308
DSN Booth Fund	55 awards less than £10,000	200,045
British Film Institute	CAP: Film Print Provision	1,540
Digital Screen Network equipment	Digital Screen Network equipment	11,700,000
Cinema Solutions Ltd	DSN Selective Support for Small Cinemas	11,187
Croydon Council	DSN Selective Support for Small Cinemas	11,187
Curzon Community Cinema, Clevedon	DSN Selective Support for Small Cinemas	11,187
Dennis Tuffin and Joan Tuffin t/a Pendle Stairway Cinema	DSN Selective Support for Small Cinemas	11,187
Dorset Film Touring Ltd	DSN Selective Support for Small Cinemas	3,465
Horsham District Council	DSN Selective Support for Small Cinemas	11,187
Institute of Contemporary Arts Ltd	DSN Selective Support for Small Cinemas	11,187
Ipswich Borough Council	DSN Selective Support for Small Cinemas	11,187
Kingston Upon Hull City Council	DSN Selective Support for Small Cinemas	11,187
Kino Holdings Ltd	DSN Selective Support for Small Cinemas	3,465
Leicester Arts Centre Ltd	DSN Selective Support for Small Cinemas	11,187
Light House Media Centre	DSN Selective Support for Small Cinemas	11,187
Merlin Cinemas Ltd	DSN Selective Support for Small Cinemas	11,187
Metro Cinema Ltd	DSN Selective Support for Small Cinemas	11,187
National Museum of Photography, Film & Television	DSN Selective Support for Small Cinemas	11,187
Norfolk and Norwich Film Theatre Ltd	DSN Selective Support for Small Cinemas	11,187
Northern Morris Cinemas (Bowness) Ltd	DSN Selective Support for Small Cinemas	11,187
Parkway Entertainment Co Ltd	DSN Selective Support for Small Cinemas	11,187
Phoenix Cinema Trust Ltd	DSN Selective Support for Small Cinemas	11,187
Picture House Cinema (Keighley) Ltd	DSN Selective Support for Small Cinemas	11,187
Plymouth Arts Centre	DSN Selective Support for Small Cinemas	11,187
Rich Mix Cultural Foundation	DSN Selective Support for Small Cinemas	3,465
Ryedale Entertainments Ltd	DSN Selective Support for Small Cinemas	3,465

Cinema equipment awards

PRODUCER	FILM/PROJECT	£
South Keveston District Council	DSN Selective Support for Small Cinemas	11,187
The Aldeburgh Cinema Ltd	DSN Selective Support for Small Cinemas	11,187
The Corn Exchange Trust (Newbury) Ltd	DSN Selective Support for Small Cinemas	11,187
The Courtyard Trust Ltd	DSN Selective Support for Small Cinemas	11,187
The Dartington Hall Trust	DSN Selective Support for Small Cinemas	11,187
The Dukes Play House Ltd	DSN Selective Support for Small Cinemas	11,187
The Plaza Cinema (Skipton) Ltd	DSN Selective Support for Small Cinemas	11,187
The Rio Centre (Dalston) Ltd	DSN Selective Support for Small Cinemas	11,187
The Ritz (Belper)	DSN Selective Support for Small Cinemas	3,465
The Roses Theatre	DSN Selective Support for Small Cinemas	11,187
The Tricycle Theatre Ltd	DSN Selective Support for Small Cinemas	11,187
Theatr Mwldan	DSN Selective Support for Small Cinemas	11,187
University of Sterling	DSN Selective Support for Small Cinemas	7,458
Wells Film Centre	DSN Selective Support for Small Cinemas	11,187
Wootton Electric Picture House Ltd	DSN Selective Support for Small Cinemas	3,465
Zeffirellis Ltd	DSN Selective Support for Small Cinemas	11,187
Total cinema equipment awards 2005/06		12,374,125

Publications Fund awards

COMPANY	PUBLICATION	£
BKSTS - The Moving Image Society	Training for Digital Projection	20,000
Film Base Ltd	Film Ireland	12,000
Film Distributors Association Ltd	SCOOP	10,000
Firecracker Media Ltd	Firecracker	20,000
The Directors Guild of Great Britain	DIRECT magazine	13,000
Vertigo Publications Ltd	Vertigo	15,000
Total publications new awards 2005/06		90,000

Schedules to the financial statements continued

Schedule 2: Lottery awards in the year ending 31 March 2006 continued

Other Lottery awards

PRODUCER	FILM/PROJECT	£
EM Media Ltd	Regional Lottery award	322,000
Film London Ltd	Regional Lottery award	355,000
Hi8us First Light Ltd	First Light scheme	1,100,000
North West Vision Ltd	Regional Lottery award	305,000
Northern Film and Media Ltd	Regional Lottery award	390,000
Screen East Ltd	Regional Lottery award	390,000
Screen South Ltd	Regional Lottery award	305,000
Screen West Midlands Ltd	Regional Lottery award	413,000
Screen Yorkshire Ltd	Regional Lottery award	300,000
South West Screen Ltd	Regional Lottery award	420,000
Total other Lottery awards 2005/06		4,300,000

Total new soft commitments 1 April 2005 - 31 March 2006 **40,959,884**

Awards to Franchise projects disclosed as soft commitments

DNA Ltd	DNA Overheads	495,711
DNA Ltd	Notes on a Scandal	4,587,768
DNA Ltd	Sunshine	6,528,090
DNA Ltd	The History Boys	813,408
DNA Ltd	The Last King of Scotland	1,368,634
Total Franchises new awards 2005/06		13,793,611

Total soft commitments 2005/06 **54,753,8495**

The above list excludes soft commitments totalling £1,343,134 where the award was made and fallen in within the year.

Schedule 3: Lottery awards made from UK Film Council delegations in the year ending 31 March 2006

ORGANISATION	FILM/PROJECT	£
EM Media		
Brit Films	Britfilms short film scheme	10,000
Cinelincs	Cinelincs audience development project	20,000
Confetti	Screenwriting package	15,485
Culture East Midlands	Filmpur - stage 2	15,000
ITV Central	ITV Central schools tour	10,000
Parallax East/Sally Hibbin	Larman register	10,000
Paul Fraser	Barney has the blues	10,000
Steven Shiel	DV Shorts Plus	20,000
79 miscellaneous awards less than £10,000		118,212
Total		228,697
Film London		
APT Film and Television Ltd	Pulse Plus	10,000
Birkbeck College	Archive development project	10,000
Film Education	Film Scene	12,500
35 miscellaneous awards less than £10,000		148,500
Total		181,000
H18US First Light Ltd		
104 Films	Diz Life #2	10,000
Access Moving Image Ltd	First Shot 3	19,970
All Change Arts Ltd	Reel Deals 3	20,000
C Media Productions LLP	Filmmaking partner	50,000
Calling the Shots Films Ltd	Calling the Shots #1	14,190
Cinetig	Filmmaking partner	50,000
Eastleigh Borough Council	Misconceptions	13,344
Fairbridge in London	Both Sides of the Coin	15,271
Focus First	Focus Plus	18,807
Glasgow Media Access Centre	GMAC / Spirit Aid Youth Film Project	20,000
Glassball Art Projects	Fictitious Landscapes	18,750
Hayward Gallery	Film sessions	17,690
Intuition PPIMS	Mini Masterpieces	18,120
Mobile Media Club	New Beginnings	18,000

Schedules to the financial statements continued

Schedule 3: Lottery awards made from UK Film Council delegations in the year ending 31 March 2006 continued

ORGANISATION	FILM/PROJECT	£
H18US First Light Ltd continued		
Northern Lights Film Festival	Northern Stars #1	13,018
Northern Visions / NvTv	Off the Wall	16,140
PVA MediaLab	Destiny	13,370
Rawmarsh City Learning Centre	Picture IT: Inspired creativity	17,570
Rural Media Company	Filmmaking partner	50,000
SHIFT	Looking Like #1	20,000
Signals Media Arts	Story Days	20,000
Soft Touch Community Arts Co-op Ltd	What Do You Think ...?	11,615
The Living Archive	Me, Myself and I	19,998
The Nerve Centre	Filmmaking partner	50,000
The SeaChange Studio	Filmmaking partner	50,000
Thomas Adams Media Arts Programme	Thomas Adams Big Screen	17,138
Threshold Studios (Project) Ltd	Filmmaking partner	50,000
Valley and Vale Community Arts	The Bigger Picture	16,889
41 miscellaneous awards less than £10,000		159,272
Total		829,152
Northern Film & Media		
Animex	Animex Screen 2006	10,000
AV Festival	AV Festival 2005	10,000
Derwentside District Council	Derwentside District Council	20,000
Nomad Cultural Forum	Kooch Interactive Narrative	10,000
North East Theatre Trust	The Inventor	10,000
Northern Lights Film Festival	Northern Lights Film Festival 2005	15,000
Side Cinema	Exhibiting Alternatives in Film 2005-06	10,000
Ten Feet Tall	Keep it Kino	15,000
Tyneside Cinema	Hub outreach	20,000
131 miscellaneous awards less than £10,000		218,882
Total		338,882
North West Vision		
Aneel Ahmad	Boot Polish	10,000
Kino Screen Ltd	10th Manchester International Film Festival	10,000
North West Film Archive	Regional Film Archive	20,000
Pidgin Productions Ltd	Black Screen Festival	10,000
104 miscellaneous awards less than £10,000		182,158
Total		222,158

Schedule 3: Lottery awards made from UK Film Council delegations in the year ending 31 March 2006 continued

ORGANISATION	FILM/PROJECT	£
Screen East		
Bent Films Ltd	Exhibit A	30,000
Capriol Films Ltd	Company development	10,000
Cinema City	Capital re-development fund	10,000
Content Providers	Popcorn	25,000
FAN International Animation Festival	Festival funding	14,000
Greater Yarmouth Tourist Authority	3 year festival development	11,000
Imago	BBC Regional development fund	15,000
Luton & Beds Film Education Group	Luton Education Franchise	10,000
NIAF	Norwich Animation Festival	16,000
Parallax East Ltd	Company development	20,000
Positive Strides UK	One of Us	10,000
Revolution Films Ltd	7 Days	12,000
57 miscellaneous awards less than £10,000		128,687
Total		311,687
Screen South		
South East Film and Video Archive	CINECITY - The Brighton Film Festival	10,000
Spellbound	OXDOX Film Festival	10,000
158 miscellaneous awards less than £10,000		222,440
Total		242,440
Screen West Midlands		
Arts Alive	Flicks in the Sticks 2006 and education project	21,800
Borderlines Film Festival LLP	Borderlines Film Festival 2006 and River of Life Archive Project	33,970
Dreamfinder Productions Ltd	Brummiewood, The Producers' Forum, West Side Stories, Christine James	57,580
Fierce! (Festival) Ltd	Mirage Film Festival	10,000
Frontline AV LLP	Screen Rootz	20,000
Hi8us Midlands Ltd	Projecting Stoke	10,000
Lighthouse Media Centre	Animation Industry Event, Audience Development, Animated Short and talks	38,701
MACE	Midland Journey 2 and Virtually Everywhere	13,700
Rural Media Company	Medianet	30,000
Script	Big Screen Visions	10,500
Sean Spencer	Romance	10,000
The Courtyard	Audience development project and Media Club	11,710
36 miscellaneous awards less than £10,000		161,773
Total		429,734

Schedules to the financial statements continued

Schedule 3: Lottery awards made from UK Film Council delegations in the year ending 31 March 2006 continued

ORGANISATION	FILM/PROJECT	£
Screen Yorkshire		
Blink Project Management	Low cost digital shorts mentoring	13,333
C Media Productions	4:3 Four films, three towns and sixty five young people	10,000
Flying Women Films	Private Life	20,000
Leeds Film	Leeds Film Quarter	15,000
Leeds Young Peoples Film Festival	Leeds Young Peoples Film Festival	15,000
National Museum of Photography, Film and Television	Bite the Mango 2005	10,000
National Museum of Photography, Film and Television	Bradford Animation Festival	10,000
National Museum of Photography, Film and Television	Bradford Film Festival 2006	15,000
Sheffield International Documentary Festival	International programme of guest film makers	12,000
Spark 2	Spark 2: Scriptwriters Development	25,000
Wath Upon Dearne Community Partnership	Widening the View	10,000
40 miscellaneous awards less than £10,000		81,781
Total		237,114
Skillset		
Arista Development	Skillset screenwriting entry	70,000
The Arts Institute, Bournemouth	Bournemouth Screen Academy	250,000
Berlinale Talent Campus	Berlinale Talent Campus	75,000
Bournemouth University	Bursaries for BA in script-writing	64,208
Bournemouth University	Bursaries for MA / PGDip in screen-writing	34,000
Cass Business School	Skillset Film Business Academy	540,500
Cinesite Europe Ltd	Company training and development	15,380
Escape Studios Ltd	Visual Effects production grade	192,247
Film London	Location manager training course	40,000
Framestore CFC	Developing Potential	25,000
FT2 (Film and Television Freelance Training)	New Entrants technical training programme	353,679
FT2 (Film and Television Freelance Training)	Set Crafts apprenticeship scheme	159,631
Greasepaint Ltd	Airbrushing, Period Hair and Make-Up	26,940
Independent Cinema Office	Cultural cinema exhibition training	53,089
International Film School Wales	Skillset Screen Academy	275,000
IWC Media Ltd	Coming Up 2005	60,135
LCC, University of the Arts, London	Bursaries for MA in screen-writing	34,580
Leeds Metropolitan University	Bursaries for MA in screen-writing	70,000
Lighthouse Arts and Training	Guiding Lights	105,881
Lighthouse Arts and Training	Skillset screenwriting entry	70,000
London Film School	London Film School UK bursary scheme	250,000
Media Business School	MD - Marketing and Distribution	30,508
Moonstone	Moonstone International Film-Makers Lab	40,000
Moonstone	Moonstone International screen-writers programme	27,658
Morris Angel & Sons Ltd	Wardrobe assistant work-based training programme	106,064

Schedule 3: Lottery awards made from UK Film Council delegations in the year ending 31 March 2006 continued

ORGANISATION	FILM/PROJECT	£
The Moving Picture Company	Animation skills development	25,000
Napier University	Screen Academy, Scotland	250,000
National Film and Television School	Bursaries for MA in film and television	20,000
National Film and Television School	Digital producing	89,150
National Film and Television School	Post Graduate Diploma in digital post-production	150,000
National Film and Television School	Skillset Screen Academy	1,669,646
North by Northwest	North by Northwest Classics	30,000
Pathé Distribution Ltd	Company professional development	10,000
Performing Arts Lab	Fact / Fiction Lab	40,000
Qwerty Films Ltd	Inside Pictures	256,850
Samuelson Productions Ltd	Samuelson/Skillset New Producers Scheme	200,000
Scottish Screen	Scottish Screen New Entrants	122,926
Scottish Screen	Animation New Entrants	67,335
Screen Academy at the London College of Communication and Ealing, Hammersmith and West London College	London Film Academy	338,708
Short Courses @ NFTS	Short courses combination	85,239
South West Screen	Animation Bridge	94,327
Royal Holloway - University of London	Bursaries for MA in feature film	40,659
The Pavement	Company development	10,000
The Production Guild	Assistant Production Accountant training scheme	108,000
The Production Guild	PROGRESS	40,000
The Script Factory	Skillset Writers' Circle	50,000
The Script Factory	Skillset Scene by Scene	30,000
The University of Bolton	Bursaries for MA in media	18,000
University of East Anglia	Bursaries for MA in creative writing: scriptwriting	13,553
VET	Avid Film Composers' training	19,084
Videosonics	Training programme 2005/06	10,000
167 miscellaneous awards less than £10,000		149,553
Total		6,907,529
South West Screen		
Cass Film Business Academy	South West Film Business Fast Track	10,000
Dorset Film Touring Ltd	Developing the rural film audience	15,000
Encounters Festivals	Animated Exeter 2006	10,000
Project Kino	Imagine	60,000
Watershed Media Centre	Networked media centre	100,000
27 miscellaneous awards < £10,000 each		117,551
Total		312,551
Total Lottery awards made through delegations in year ending 31 March 2006		10,240,944

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 UK Film Council. The Directions are set out below. The UK Film Council confirms that, to the best of its knowledge, it complied fully with the financial directions in 2005/06.

(i) The UK Film Council ('the Body') shall comply with the requirements attached as an annex to these directions when carrying out its functions under section 25 of the National Lottery Act 1998 ('The Act'). Wherever specified in that annex, the UK Film Council must obtain the consent of the Secretary of State before carrying out certain activities. The UK Film Council has implemented procedures throughout the organisation to ensure the requirements of the statement of financial requirements are followed and the UK Film Council confirms that, to the best of its knowledge, it complied fully with the financial requirements in 2005/06. A copy of the statement of financial requirements is available from the UK Film Council.

(ii) The UK Film Council shall devise and abide by a procedure for handling potential conflicts of interest which may arise in the evaluation of applications by the body or individual members of that body. This procedure, together with a statement confirming the arrangements that have been applied, should be provided to the Secretary of State for Culture, Media and Sport ('the Secretary of State') before the distribution of any funds under section 25 of the Act, and thereafter at the beginning of each financial year.

The UK Film Council has in place written procedures for dealing with conflicts of interest and maintains a register of interests for all Board directors and staff.

Policy directions

Under the National Lottery etc. Act 1993, the Secretary of State for Culture, Media and Sport issued policy directions in April 2000, which the UK Film Council must take into account in distributing National Lottery funds. These are set out below with a short explanation of how the directions have been met.

A The need to ensure that money is distributed under section 25(1) for projects which promote the public good or charitable purposes and which are not intended for private gain.

This direction is reflected, as appropriate, in application

guidelines and criteria for funding for all National Lottery funds run by the UK Film Council or any of its delegate bodies. The criteria for determining public benefit include the creative and technical quality of the project and its contribution towards the UK Film Council's strategic objectives. The UK Film Council will only fund projects with an element of private gain where any such gain is incidental and subsidiary to wider public benefit. In the event that the UK Film Council approves applications made by companies limited by shares which distribute profits, rigorous conditions are imposed to ensure that no undue financial gain can accrue to any individual.

B The need to foster as a prerequisite for a healthy film culture, the development of a sustainable film industry, including through pursuit of the following strategic goals:

- attracting more private finance into film in order to catalyse the emergence of commercially sustainable structures;
- improving the quality of British films and raising their profile in the market place;
- ensuring the industry takes full advantage of digital technologies; and
- helping to ensure an adequate supply of skills and new talent.

The allocation of National Lottery funds by the UK Film Council is influenced by the need to strengthen the industry's structure and workforce and to improve the quality and commercial viability of British films. The aim of the UK Film Council's funds is to develop a number of these key areas.

C To ensure that the UK Film Council considers applications, which relate to the complete range of its activities and in respect of which it has the power to distribute money, taking into account:

- its assessment of the needs of film and its priorities for the time being for addressing them;
- the need to ensure that all parts of the country have access to funding;
- the need to promote access to film for people from all sections of society; and
- the scope for reducing economic and social deprivation at the same time as creating benefits for film.

Our Second Three Year Plan, April 2004 – March 2007, sets out the UK Film Council's priorities, which were informed by an assessment of the public needs of the film sector and followed an extensive consultation. The extent to which these priorities are being met is considered in greater detail elsewhere in this review. The potential economic and social benefits of the UK Film Council's funds are considered as the criteria for funding are established.

All parts of the country have access to UK Film Council Lottery funding through applications for training, development, production, distribution and exhibition funding. The Regional Investment Fund for England is channelled through the nine strategic agencies across England, and First Light works on projects in areas across the UK.

D To develop film culture, improve education and encourage creative excellence.

UK Film Council activity in film development and production is aimed at encouraging creative excellence through fostering new talent; and formal experimentation and challenging audiences. It is also focused on skills development through training initiatives. Lottery money has been used to ensure that the UK film industry can compete on an international level in all skills areas. Initially the UK Film Council made training awards in the specific areas of producer development, script development, script editing and bursaries. In 2003, after a wide-ranging consultation the UK Film Council produced a comprehensive training strategy: *A Bigger Future*. Implementation of that strategy commenced in April 2004 through a formal Lottery delegation to Skillset (the Sector Skills Council for the audiovisual industry).

To date, training has been delivered across every area of the industry from script development to exhibition and every level within the industry from novice runner to experienced producer. Some 6,600 industry professionals have benefited to date. Six Screen Academies have been established and a Film Business Academy.

The UK Film Council works with a diverse range of partners in the UK nations and the English regions in order to advance its objectives. Most notable partners being the nine Regional Screen Agencies, three National Screen Agencies and the British Film Institute (BFI). The UK

Film Council and its partners work both as deliverers of services direct to the public and are a resource upon which other partners and organisations are able to draw.

E To promote knowledge and appreciation of film by children and young people.

Children and young people are specific targets of a range of UK Film Council Lottery Fund programmes. Most notably, the First Light project involves a range of children's and young people's film activities in the UK.

F To further the objectives of sustainable development.

Technological development is supported through encouraging the use of digital production techniques, shooting on videotape/DV and its associated chemical development process.

In location filming of any Lottery-funded films, it is expected producers are sensitive to the needs of the environment and the use of natural resources. This means locations are returned to their original state in environmental terms.

The UK Film Council works with other Lottery Distributors and the DCMS in developing proposals for sustainable development.

G The need for money to be distributed to projects only where they are for specific, time limited purpose.

Funding is either provided on a specifically time limited basis or will only benefit individuals while they remain within the definition of the particular programme.

H The need:

- in all cases, for applicants to demonstrate the financial viability of the project for the period of the funding;
- where setting-up costs are sought, for a clear business plan beyond the period of the funding, incorporating provision for associated running and maintenance costs; and
- in other cases, for consideration to be given to the likely availability of other funding to meet any continuing costs for a reasonable period of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards viability beyond the period of the award, wherever possible.

Statutory background continued

Financial viability is a key factor in the assessment of UK Film Council Lottery applications and these questions are examined against 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.

I The desirability of supporting the development of the long-term financial and managerial viability of film organisations and companies.

Some UK Film Council Lottery funding schemes are structured to encourage private finance into the industry and to enable film companies to achieve longer term funding over a number of years, for example the Development Fund's support of companies through funding for slates of film projects. Investment in skills through training and enabling film companies to develop expertise through participation in filmmaking enhances their long term viability.

J The need to require an element of partnership funding and/or contributions in kind from other sources, commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas, to obtain such support.

The UK Film Council 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.

K The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of its strategy.

The UK Film Council is increasing its partnership working with other Lottery distributors, most notably with Arts Council England. The UK Film Council delegates funding to Regional Screen Agencies in England in support of its strategic objectives that the agencies can deliver locally along with agency local objectives.

Skillset and First Light are the two other Lottery delegate partners delivering key aspects of our strategy.

L The need to ensure that its powers to solicit applications are used in connection with the pursuit of strategic objectives.

These powers are used sparingly and in accordance with the direction.

M To obtain such information as it considers necessary to make decisions on each application, including independent expert advice.

The UK Film Council 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 UK Film Council has a duty to ensure that National Lottery funds are properly spent and accounted for, that risk is minimised and that fraud is avoided.

The UK Film Council undertakes an appraisal of each application for funding prior to final decision.

N To require recipients of awards to pay the set contributions towards the Skills Investment Fund (SIF).

All relevant awards (ie those for feature film production) carry the requirement to pay the levy to the Skills Investment Fund.

O The need for recipients of awards to comply with recognised industry best practice and agreements relating to pay and the employment of trainees.

All those in receipt of awards (for feature film production) are required to comply with industry best practice and to report on compliance as part of the UK Film Council monitoring requirements.

P The need to conserve and expand the national film heritage by requiring the deposit of Lottery funded films and selected materials in the collections of the British Film Institute or regional archives.

All recipients of awards for feature film production are required to deliver material for deposit in the BFI's collection.

Q The need for film development and production projects to be capable of qualifying as 'relevant films' as defined by the Films Act 1985.

The UK Film Council seeks confirmation from potential awardees that projects are capable of qualification under the Act.

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