

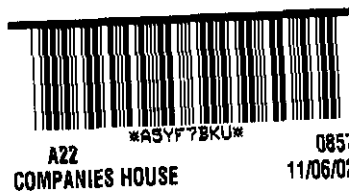
Company Registration No: 1375941

**THE FOUNDATION FOR
CHRISTIAN COMMUNICATION LIMITED**

REPORT AND FINANCIAL STATEMENTS

31st DECEMBER, 2001

REGISTERED CHARITY NUMBER 276286



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THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

Directors

	V. A. L. Powell, F.C.A. (Chairman)		
# *	G. B. Ackery, F.C.A., A.T.I.I.		
	M. E. T. Davies	Retired	25/03/2002
	Mrs L. G. Fox, J.P., D.L.		
*	J. R. Newton		
	F. A. R. Packard		
	C. R. H. Rank	Retired	09/09/2001
	P. K. Reeve, B.A.	Appointed	25/01/2002
#	E. M. Shegog, M.A.		
	D. R. W. Silk, C.B.E., M.A.		

Company Secretary # J. A. Cowling, F.C.A.

Chief Executive # B.A. Allcott, B.A.

(Committees : # Management ; * Audit)

Registered Office : Hillside Studios, Merry Hill Road, Bushey, Watford, WD23 1DR

Auditors : Baker Tilly
Spectrum House, 20-26 Cursitor Street, London, EC4A 1HY

Bankers : National Westminster Bank plc
P.O. Box 224, Stanmore, Middlesex, HA7 4XW

Solicitors : Richards Butler
Beaufort House, 15 St. Botolph Street, London, EC2A 7EE
Berwin Leighton Paisner
Adelaide House, London Bridge, London, EC4R 9HA

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

REPORT OF THE DIRECTORS

Constitution

The company was established on the 29th June, 1978 and is limited by guarantee. Its governing document is the Memorandum and Articles of Association as amended and adopted on the 11th December, 2000.

Directors

The Directors who act as Trustees for the charitable activities of the Foundation, present to the members of the Foundation their report and financial statements for the year ended 31st December, 2001.

Charitable Objects and Principal Activities

The company is a registered charity and its principal activities are the production and distribution of television programmes, films and videos for Christian and educational purposes.

The Foundation's activities are carried on under the name of C.T.V.C.

The Foundation has a commercial subsidiary (Hillside Studios Limited) whose principal activities are the making of video productions and the provision of training courses relating to television and radio.

Deficit for the Year

The deficit for the year is £ 261,451 (2000 surplus £ 200,728) which has been deducted from the general fund.

Post Balance Sheet Events

During the course of the year 2001, it was decided that the Foundation's studios would cease to be fully crewed, and therefore Hillside Studios Limited would provide 'dry hire' studios only. Hillside Studios Limited will continue with Training and Corporate Video. This decision was actioned in January, 2002 and it is anticipated that this will result in a reduction in the level of commercial activity.

The Foundation's pension scheme was closed with effect from 6th April, 2002. The Rank Foundation has agreed to make an additional grant of approximately £ 3m to enable the Foundation to close the scheme. At the date of closure, net pension creditors of £ 150,361 will be released.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)

REPORT OF THE DIRECTORS
(continued)

Trustees' Annual Report

The Foundation for Christian Communication Limited was established by the late Lord Rank with the objective of promoting the Christian faith through the making of films for public consumption. In order to achieve this aim, over the years the Foundation has developed relationships with the major broadcasting outlets in the UK.

For most of our history these outlets have been terrestrial television, comprising BBC, ITV and Channel Four. We have, however, kept pace with changes caused by the introduction of cable, satellite and Channel Five. We are also monitoring the implications of digital television and the emergence of new networks.

In developing strategies to achieve our aims we have worked with broadcasters at a variety of levels :-

- 1) Ideas for programmes researched and developed by the Foundation which are placed before Commissioning Editors for Religion seeking funding from the broadcaster concerned.
- 2) Ideas researched and developed by the Foundation which are offered to Commissioning Editors with a view to the Foundation co-producing in order to obtain rights for international television and international non-theatric sales.
- 3) Ideas from broadcasters which need help in terms of resources or finance which we believe further the aims and objectives of the Christian religion. Again, in these areas we also take rights for international and UK sales.
- 4) Other independent producers can approach the Foundation and, if the ideas are in line with our objectives, we are prepared to enter into a co-production in exchange for rights.

The co-production commitments made by the Foundation are basically of two kinds. The first is known in the Industry as a "below the line" contribution. This means that the Foundation's facilities and staff are committed to the project, but no cash costs are met. The second offer available is an injection of cash, which in some productions is the only help required. Normally, we find that a mix of these two contributions is the most frequently used.

Production ideas come from a number of sources, and the Chief Executive has ultimate editorial control as to what is approved. The vast majority of ideas come from our own production department, who monitor and often attend meetings concerned with the latest scholarship across a spectrum of subjects. If ideas are received from other producers, only those that meet the aims and objectives of the Foundation are considered for support. The proposals are then offered to Commissioning Editors across the terrestrial strands, and the ultimate choice of what is made depends upon them.

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

**REPORT OF THE DIRECTORS
(continued)**

The Foundation has had a successful year, and during 2001 has been involved in a number of broadcast programmes. We have monitored our performance by obtaining the viewing figures for each programme and accumulating the number of broadcast hours we have achieved. It is, of course, not possible to make anything other than a subjective judgement on the influence these programmes might have on peoples' lives.

We have not performed as well as in the year 2000, primarily because of the changes undertaken by BBC Religion. During the course of 2001 long running series such as 'Heart of the Matter' were abandoned and the whole system was held up by the delayed appointment of the new Head of Religion and Ethics. The appointment of Alan Bookbinder has now taken place, and we hope to resume our long association with the BBC in the near future.

In 2001 the following programmes with Foundation involvement were transmitted :-

UK SATELLITE MILLENNIUM 7

<i>The Last Supper</i>	(1 x 60 minutes)
<i>The Way of Sorrows</i>	(1 x 30 minutes)
<i>Easter Celebration</i>	(1 x 60 minutes)

Total hours 2.5. Total viewers 0.5 million.

ITV

<i>Apostles</i>	(10 x 30 minutes)
<i>Apostles - James</i> (repeat)	(1 x 30 minutes)
<i>It Ain't Necessarily So</i>	(6 x 30 minutes)

Total hours 8.5. Total viewers 18.2 million.

CHANNEL 4

<i>Quest For The True Cross</i>	(1 x 60 minutes)
---------------------------------	------------------

Total hours 1. Total viewers 1.4 million.

Total hours across all channels 12.

Total viewing figures across all channels 20.1 million.

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

**REPORT OF THE DIRECTORS
(continued)**

In addition to the broadcast programmes, we recognise that the Christian faith can also be promoted through the making of videos which have no broadcast potential. Charities with a Christian basis and outlook are helped by the Foundation reducing the costs of the video and waiving any production fee, which is in essence the profit on the making of a video.

We have also been able to assist a number of charitable groups to complete or begin videos, either for educational or fund-raising purposes.

Among our clients have been :

The Stroke Association
St Christopher's Hospice
The Peace Hospice
Church Missionary Society

During the year the decision was made to wind up our International Distribution department. This involved the redundancies of two staff members and the re-assignment of our rights in programmes to TVF International. Throughout the past few months we have continued to honour acquisition requests from customers for titles not re-assigned, but this should diminish in the course of time.

The Foundation hires facilities to Hillside Studios Limited (a wholly owned subsidiary company) when they are not needed for Foundation projects. Hillside's clients include independent producers and broadcasters who use the facilities to make broadcast television programmes, conduct media training courses, make corporate videos and hold satellite conferences. As noted above the activities of Hillside Studios Limited have been downsized from January 2002.

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

**REPORT OF THE DIRECTORS
(continued)**

Statement of Directors' Responsibilities

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company, and of the income and expenditure of the company for that period.

In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether accounting standards have been followed, and give details of any departures
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention of fraud.

We confirm that the accounts comply with all statutory requirements, the requirements of the Memorandum and Articles of Association and the requirements of the revised Statement of Recommended Practice Accounting for Charities (SORP).

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)

REPORT OF THE DIRECTORS
(continued)

CORPORATE GOVERNANCE

Appliance of the principles of the Combined Code

The Foundation seeks to comply with best practice with regard to corporate governance. The Trustees have reviewed the requirements of the Combined Code. The principles of the Combined Code have been applied as follows:

The Board

The Board is responsible for leading and controlling the company. The board achieves this by:

- setting the long term strategic objectives of the Foundation, these being:
 - The promotion, by means of the exhibition of religious films, of the Christian religion, Christian principles, Christian religious education and the study of the history of the Christian faith.
 - The promotion of the Christian religion by any other lawful means.
- the annual preparation, approval and adoption of medium term business plans, which guide the Foundation's activities in the periods to which they relate;
- the annual preparation, approval and adoption of annual budgets, based on three year business plans;
- monitoring actual performance against budget and business plans;
- monitoring the results, key performance indicators and variances on a quarterly basis.

The Board meets three times a year.

The Board has delegated specific responsibilities to the Management Committee, which comprises two non-executive directors The Rev. E. M. Shegog and Mr. G. B. Ackery, the Chief Executive, The Rev. B. A. Allcott and the company secretary, Mr. J. A. Cowling. The Committee meets monthly throughout the year. The purpose of the Committee is to ensure the business of the Foundation is conducted on a day to day basis within the limits delegated by the Board and in accordance with the policies and strategies prescribed by the Board. The Committee members report to the Board three times a year.

In the absence of market information the effectiveness of the Board can be measured by the performance of the Foundation in producing programmes of a religious nature and their propagation, all within the constraints of a limited annual income and a limited capital base.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)

REPORT OF THE DIRECTORS
(continued)

Chairman and Chief Executive

The roles and responsibilities of the chairman (Mr. V. A. L. Powell) and Chief Executive (The Rev. B. A. Allcott) are separate and are clearly distinguished.

Board balance

At the commencement of the year the Board comprised nine directors, one of whom retired during the financial year. Six were elected by the Rank Foundation, and the balance appointed by the Board.

No one grouping of directors dominates the decision making of the Board and the directors consider that there is an adequate balance between the groupings.

The Rank Foundation Limited has the right to appoint a majority of the directors and to remove any directors it appoints. Any other directors can be appointed either by the Board or by the shareholders.

Supply of information

The Board receives detailed management accounts within 28 days of each quarter end. Additionally, the company secretary provides a quarterly commentary on the results, explaining variances and highlighting key performance indicators.

Certain additional information is also provided to members of the Management Committee on a monthly basis.

Additionally, any further information and analysis required by any Board member is provided to them whenever they request it.

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

**REPORT OF THE DIRECTORS
(continued)**

Appointments to the Board

Members of the Board are appointed either by the Rank Foundation or by the existing Board. There are no set procedures for appointing new members and to this extent, the Foundation does not comply with the requirements of the Combined Code.

Given the ability of the Rank Foundation to appoint a majority of the Board directors and the Foundation's circumstances, the Board are satisfied that this non-compliance does not have a detrimental effect on the corporate governance of the Foundation.

Re-election

The members of the Board are required to be re-elected to the Board annually.

Directors' remuneration

The directors' remuneration is set by the Board and is based on the number of days required to perform their duties.

The directors' emoluments are detailed in the accounts.

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

**REPORT OF THE DIRECTORS
(continued)**

Internal Control and Risk Management

The Board of Directors has overall responsibility for the Foundation's system of internal control and for monitoring the effectiveness of the controls.

It should be noted that any system of internal control can provide only reasonable, but not absolute, assurance against material mis-statement or loss.

The Foundation has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. Within that structure, key aspects of the system of internal control are:

- The annual preparation of medium term business plans, incorporating annual operating and capital budgets, which are formally approved by the Board.
- Annually, the budget for the year, as set out in the medium term business plan, is revised to take account of changing circumstances and formally adopted and approved by the Board.
- The Board receive quarterly accounts along with a commentary explaining variances to the budget and comparison to the previous year.
- Performance is monitored against budget, by way of monthly management accounts and a review of key performance indicators, with all significant variances being investigated.

Given the Foundation's size and nature of operations, the Board does not consider that an Internal Audit function is warranted.

As set out above, the Board is closely involved in the implementation of the internal controls. The Board has reviewed the operation of the internal controls and is satisfied that the key internal control functions operated effectively during 2001.

In addition the Board has confirmed that the major risks to which the charity is exposed, as identified by the Directors, have been reviewed and systems established to mitigate those risks.

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

**REPORT OF THE DIRECTORS
(continued)**

The Audit Committee

The Audit committee presently comprises two directors and meets twice a year. The purpose of the Committee is to create a formal conduit between the external auditors and the Board. It has the authority to appoint the external auditors and to fix their remuneration.

It also has the power to fix the salaries and expense allowances of the Chief Executive and Company Secretary.

Committee members also advise as to the content and presentation of the annual report, so as to ensure that financial reporting requirements are met.

The purpose, functions and responsibilities of the Committee are clearly defined and where authority has been delegated to the Committee, the Board as a whole will not unreasonably withhold approval for the Committee's decision.

The members of the Audit Committee throughout 2001 were Mr. G. B. Ackery, Mr. J. R. Newton and in addition Mr. C. R. H. Rank served until 9th September, 2001.

Statement of Compliance with the Code Provisions in the Combined Code

During 2001, the Foundation complied with the applicable requirements of the Combined Code except as stated below:

- The Foundation has no formal and transparent procedures for the appointment of new directors to the Board. It is to be noted that the Rank Foundation appoints a majority of the board and the Foundation has no power to compel the Rank Foundation to implement the procedures required under the Combined Code.
- Currently there are only two members of the audit committee.

**THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED
(THE FOUNDATION)**

**REPORT OF THE DIRECTORS
(continued)**

Directors

In accordance with the articles of association, the directors in office at that time will retire at the forthcoming Annual General Meeting and offer themselves for re-election.

The Directors who served during the year and subsequently are shown on page 1.

Share Capital

The company is limited by guarantee and has no share capital. The liability of members is limited to £1 each in the event of the company being wound up.

Reserves Policy

The Foundation aims to achieve a balanced budget in the long term and retain sufficient reserves to meet its working capital requirements.

Auditors

The auditors, Baker Tilly (formerly HLB Kidsons), are eligible for re-appointment.

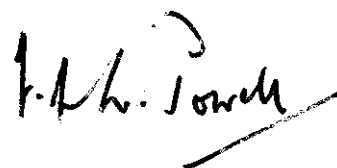
Staff

The Board of the Foundation wish to express their gratitude to the staff. Their continuing dedication and expertise are a vital ingredient in enabling the Foundation to fulfil its aims and objectives.

On behalf of the board.

Hillside Studios
Merry Hill Road
Bushey
Watford
WD23 1DR

24th April, 2002



V. A. L. Powell
Chairman

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

Independent Auditors' report to the members of The Foundation For Christian Communication Limited

We have audited the financial statements of Foundation for Christian Communication Ltd for the year ended 31 December, 2001 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors who also act as the trustees for the charitable activities of the Foundation for Christian Communication Ltd, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Report of the Directors' and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall, adequacy of the presentation of information in the financial statements.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

**Independent Auditors' report to the members of
The Foundation For Christian Communication Limited
(Continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the charitable company and its subsidiary as at 31 December, 2001 and of their incoming resources and application of resources, including their income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

24th April, 2002



Baker Tilly
Chartered Accountants
Registered Auditors

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT.**

For the year ended 31st December, 2001

	Note	2001 £	2000 £
Incoming Resources			
Grants received	2	2,100,000	1,955,000
Activities in furtherance of the charity's objects			
Contributions towards production costs		371,242	341,946
Broadcast fees		39,304	64,974
Sale of videos		22,794	29,214
		<u>433,340</u>	<u>436,134</u>
Activities for generating funds			
Hire of studios and facilities		646,144	1,204,383
Investment income		5,827	5,432
		<u>3,185,311</u>	<u>3,600,949</u>
Resources Expended			
Costs of generating funds			
Annual ongoing costs	3	566,330	1,104,799
Net incoming resources available for charitable application		<u>2,618,981</u>	<u>2,496,150</u>
Costs of Charitable activities	3		
Activities in furtherance of the Charity's objects		1,371,296	1,145,915
Support costs		1,055,705	839,337
Change in accounting estimate		-	(111,260)
Management and administration		453,431	421,430
		<u>2,880,432</u>	<u>2,295,422</u>
Net Movement In Funds before change in accounting estimate		(261,451)	89,468
Change in accounting estimate		-	111,260
Net movement in funds		<u>(261,451)</u>	<u>200,728</u>
Fund balances brought forward at 1 January, 2001		400,841	200,113
Fund balances carried forward at 31 December, 2001		<u>139,390</u>	<u>400,841</u>

All activities are classed as continuing. There were no acquisitions during the year.

A separate statement of total recognised gains and losses has not been prepared as there are no recognised gains and losses other than the deficit for the year.

The deficit dealt with in the financial statements of the Foundation was £ 261,451 (2000 surplus £ 200,728). The notes on pages 18 to 28 form part of these accounts.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

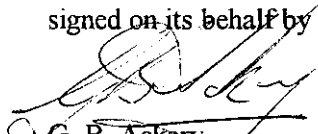
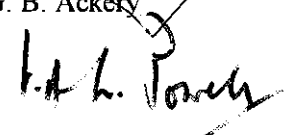
CONSOLIDATED BALANCE SHEET

At 31st December, 2001

		Group		Foundation	
	Note	2001 £	2000 £	2001 £	2000 £
Fixed Assets					
Tangible assets	8	585,062	624,432	585,062	624,432
Shares in subsidiary undertaking	5	-	-	75,000	75,000
		<u>585,062</u>	<u>624,432</u>	<u>660,062</u>	<u>699,432</u>
Current Assets					
Stocks	10	24,972	23,942	24,967	23,291
Debtors	11	451,673	555,169	379,679	477,042
Cash at bank and in hand		159,728	112,952	152,848	107,104
		<u>636,373</u>	<u>692,063</u>	<u>557,494</u>	<u>607,437</u>
Creditors: Amounts falling due within one year	12	<u>(897,371)</u>	<u>(679,896)</u>	<u>(893,492)</u>	<u>(670,270)</u>
Net Current (Liabilities) / Assets		(260,998)	12,167	(335,998)	(62,833)
Total Assets Less Current Liabilities		<u>324,064</u>	<u>636,599</u>	<u>324,064</u>	<u>636,599</u>
Creditors: Amounts falling due over one year	13	(184,674)	(235,758)	(184,674)	(235,758)
		<u>139,390</u>	<u>400,841</u>	<u>139,390</u>	<u>400,841</u>
General Fund		<u>139,390</u>	<u>400,841</u>	<u>139,390</u>	<u>400,841</u>

The company is limited by guarantee not having a share capital.

The accounts on pages 15 to 28 were approved by the board of directors on 24th April, 2002, and signed on its behalf by


 G. B. Ackery)

 V. A. L. Powell) Directors

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT

At 31st December, 2001

	Note	2001 £	2000 £
Net cash inflow / (outflow) from operating activities	A	<u>73,299</u>	<u>(124,119)</u>
Returns on investment and servicing of finance			
Interest received		5,827	5,432
Interest element of finance lease payments		-	(2,557)
		<u>5,827</u>	<u>2,875</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(179,214)	(178,719)
Receipts from sale of tangible fixed assets		21,864	6,500
		<u>(157,350)</u>	<u>(172,219)</u>
Net cash outflow before financing		(78,224)	(293,463)
Financing			
Capital element of finance lease payments		-	(15,653)
Debt due within one year			
Increase in short term loan		375,000	270,000
Repayment of short term loan		<u>(250,000)</u>	<u>(20,000)</u>
		<u>125,000</u>	<u>234,347</u>
Increase / (decrease) in cash		<u>46,776</u>	<u>(59,116)</u>

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES ON CONSOLIDATED CASH FLOW STATEMENT

31st December, 2001

**A. Reconciliation of operating (deficit) / surplus
to net cash Inflow from operating activities**

	2001 £	2000 £
Net movement in funds	(261,451)	200,728
Investment income	(5,827)	(5,432)
Interest element of finance lease payments	<u>-</u>	<u>2,557</u>
Operating surplus / (deficit)	(267,278)	197,853
Depreciation	174,433	67,641
Loss / (profit) on disposal of fixed assets	22,287	(2,851)
(Increase) / decrease in stocks	(1,030)	12,255
Decrease / (Increase) in debtors	103,496	(273,030)
Increase / (decrease) in creditors	41,391	(125,987)
Net cash inflow / (outflow) from operating activities	<u>73,299</u>	<u>(124,119)</u>

**B. Analysis of change in net debt
during the year**

	2001 £	2000 £	Cashflow £
Cash at bank and in hand	159,728	112,952	46,776
Short term loans	<u>(375,000)</u>	<u>(250,000)</u>	<u>(125,000)</u>
	<u>(215,272)</u>	<u>(137,048)</u>	<u>(78,224)</u>

**C. Reconciliation of net cash outflow to
movement in net (debt) / cash**

	2001 £	2000 £
Increase / (decrease) in cashflow	46,776	(59,116)
Capital element of finance lease payments	0	15,653
Increase in short term loans	(375,000)	(270,000)
Repayment of short term loans	<u>250,000</u>	<u>20,000</u>
	<u>(78,224)</u>	<u>(293,463)</u>
Net (debt) / cash as at 1st January, 2001	(137,048)	156,415
Net (debt) as at 31st December, 2001	<u>(215,272)</u>	<u>(137,048)</u>

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules and are in accordance with applicable accounting standards and the requirements of the Companies Act 1985.

The financial statements reflect the requirements of the revised Statement of Recommended Practice Accounting for Charities (SORP).

Recognition of Income and Expenditure

Income is recognised on the accruals principle. Intangible income is not recognised in the consolidated statement of financial activities as the directors have no basis of valuation.

Expenditure is recognised on the accruals principle.

Basis of allocation of costs of generating funds, costs of charitable objects, support and management and administration expenditure.

Generating funds

Funds are generated by the commercial exploitation of excess studio capacity. The costs of generating such funds comprise all direct costs incurred and the relevant proportion of the costs of running the studios, which are allocated on the basis of standard rates, including relevant overheads.

Activities in the furtherance of charity's objects

Costs of activities in furtherance of the charity's objects includes all costs relating to the production, sale and distribution of religious programmes plus attributable overheads.

Support costs

Support costs comprise the costs of running the studios and associated facilities, less overheads allocated to generating funds and activities in the furtherance of the charity's objects. Overhead allocations are based on standard rates, based on the actual facility usage.

Management and administration costs

Management and administration costs include salaries and related costs of the finance and administration department plus attributable overheads.

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

Basis of Capitalisation

Amounts capitalised relate to costs of acquisition of assets expected to be used by the Foundation in the longer term.

Depreciation

Depreciation of fixed assets is calculated by reference to cost at rates estimated to write off the relevant assets over their expected useful lives, taking into account normal commercial and technical obsolescence.

The annual rates used are:

Plant and equipment	10% to 50% on cost
Motor vehicles	25% on cost
Fixtures and fittings	10% to 50% on cost
Technical	10% to 50% on cost
Office	10% to 20% on cost
Dining room	10% to 20% on cost
Garden equipment	10% to 20% on cost

Property additions are written off as incurred because the Foundation occupies the property under a tenancy agreement from year to year, subject to a six month notice period.

Stock

Stock including work in progress is valued at the lower of cost and net realisable value taking into account a provision for depreciation and technical obsolescence as appropriate.

Pensions

The pensions charge to the income and expenditure account is based on the cost of providing pensions on a systematic basis over the periods benefiting from the scheme members' services. Any difference between the charge to the income and expenditure account and the contributions paid to the scheme is included, in the balance sheet, as an asset or liability.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

Operating leases

The costs of operating leases are charged in the income and expenditure account over the period of the lease.

Basis of consolidation

The consolidated financial statements comprise The Foundation for Christian Communication Limited and its trading subsidiary, Hillside Studios Limited (the "Group"). A summarised profit and loss account and balance sheet of Hillside Studios Limited is given in note 5.

Advantage has been taken of the exemption available under section 230 of the Companies Act 1985 not to present an individual profit and loss account for the company.

2. GRANT RECEIVED

The grant is received from The Rank Foundation Limited, a registered charity, which has a close historical association with the company reflected in six common directorships. The Rank Foundation whose address is : 12 Warwick Square, London, SW1V 2AA, has confirmed its continued financial support at a basic level of £2,100,000 per annum for the next five years, and rent free accommodation.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

3. ANALYSIS OF TOTAL RESOURCES EXPENDED

2001	Direct					
Costs	Costs	Salaries	Occupancy	Depreciation	Other	Total
	£	£	£	£	£	£
Generating funds	133,552	255,597	7,025	40,900	129,256	566,330
Charity's objects	619,691	614,968	1,806	16,593	118,238	1,371,296
Support costs	-	721,562	20,227	96,650	217,266	1,055,705
Management & administration	-	346,297	7,895	21,132	78,107	453,431
	<u>753,243</u>	<u>1,938,424</u>	<u>36,953</u>	<u>175,275</u>	<u>542,867</u>	<u>3,446,762</u>
2000						
Generating funds	150,082	505,848	11,969	73,428	363,472	1,104,799
Charity's objects	442,037	551,430	1,537	17,647	133,264	1,145,915
Support costs	-	548,957	13,496	63,679	213,205	839,337
Management & administration	-	348,950	6,290	24,147	42,043	421,430
	<u>592,119</u>	<u>1,955,185</u>	<u>33,292</u>	<u>178,901</u>	<u>751,984</u>	<u>3,511,481</u>

4. NET (INCOMING) / OUTGOING RESOURCES

Net (incoming) / outgoing resources are stated after charging:

	Group		Foundation	
	2001	2000	2001	2000
	£	£	£	£
Depreciation of tangible fixed assets	<u>174,433</u>	<u>178,901</u>	<u>174,433</u>	<u>178,901</u>
Hire of equipment	28,864	24,472	28,864	24,472
Finance lease interest	-	2,557	-	2,557
	<u>28,864</u>	<u>27,029</u>	<u>28,864</u>	<u>27,029</u>
Auditors' remuneration - audit	13,500	13,500	12,500	12,200
Auditors' remuneration - other	<u>11,500</u>	<u>1,600</u>	<u>11,500</u>	<u>1,600</u>
During the year the company purchased				
Directors and Officers insurance	<u>840</u>	<u>1,200</u>	<u>420</u>	<u>600</u>
Indemnity insurance				
Fidelity bond protecting the charity.	<u>542</u>	<u>534</u>	<u>542</u>	<u>525</u>
Loss / (profit) on disposal of fixed assets.	<u>22,287</u>	<u>(2,851)</u>	<u>22,287</u>	<u>(2,851)</u>

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

5. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY

The charity has a wholly-owned trading subsidiary which is incorporated in the United Kingdom. The principal activities of Hillside Studios Limited are the making of video productions and the provision of training courses relating to television and radio.

All the profits of the company are donated to The Foundation For Christian Communication Limited by way of Gift Aid.

A summary of the company's trading results for the year is shown below. Audited accounts will be filed with the Registrar of Companies.

Profit and Loss Account	2001 £	2000 £
Turnover	646,144	1,204,383
Cost of sales	<u>(589,111)</u>	<u>(1,155,049)</u>
Gross profit	57,033	49,334
Administration expenses	(2,783)	(2,806)
Charitable donation	(54,250)	(46,528)
Profit	<u>Nil</u>	<u>Nil</u>

Summarised Balance Sheet

Current assets	93,735	237,522
Creditors : amounts falling due within one year	<u>(18,735)</u>	<u>(162,522)</u>
Net assets	<u>75,000</u>	<u>75,000</u>
Equity shareholders fund	<u>75,000</u>	<u>75,000</u>

The Foundation's investment in Hillside Studios Limited is 75,000 ordinary shares of £1 each, being the whole issued equity share capital of that company.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

6. DIRECTORS AND EMPLOYEES

2001

2000

Average number employed

No

No

Employed in charitable activities

Furtherance of the charity's objects

8

6

Charitable support activities

31

33

Management & administration

8

9

Total

47

48

The support staff are those staff who are involved in the running of the studios and associated facilities. The staff numbers above do not reflect the allocations of costs from support activities to the costs of generating fund and activities in the furtherance of the charity's objects.

Staff costs including directors' emoluments

£

£

Wages and salaries

1,523,053

1,588,060

Social security costs

135,969

146,117

Other pension costs

279,400

221,008

1,938,422

1,955,185

Directors' Emoluments

Pension Contributions

NIL

53,921

Emoluments excluding pension scheme contributions

Chairman

NIL

NIL

B. A. Allcott Retired as a Director on 31/12/2000

NIL

90,938

J. A. Cowling Retired as a Director on 31/12/2000

NIL

79,561

G. B. Ackery

10,000

10,000

E. M. Shegog

10,000

10,000

20,000

190,499

E. M. Shegog and G. B. Ackery are remunerated solely for the professional services they render to the Company and its subsidiary.

The other 6 Directors received no remuneration.

Reimbursement of expenses incurred in relation to duties as Trustees.

1,342

877

(Payable to two Trustees)

The number of Directors who were entitled to pension benefits are

NIL

2

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

6. DIRECTORS AND EMPLOYEES - continued	2001	2000
Employees Emoluments	No	No
Number of Staff earning £ 50,000 to £ 60,000	3	2
Number of Staff earning £ 60,000 to £ 70,000	2	1
Number of Staff earning £ 80,000 to £ 90,000	1	0
Number of Staff earning £ 90,000 to £100,000	1	0

The above numbers exclude Directors.

7. PENSIONS

The company operates two pension schemes. The principal scheme covers 83% of the company's employees and is of the "defined benefit" type.

The pension cost relating to the principal scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of this scheme was at the 30th September, 2000. The most important actuarial assumptions used were:

Future inflation rate	2.50%
Rate of increase in salaries	4.00%
Rate of increase for deferred pensions - accrued before June, 2001	5.00%
Rate of increase for deferred pensions - accrued after June, 2001	2.50%
Discount rate for scheme liabilities	5.75%
LPI increases to pensions in payment	2.50%

The contributions for the year amounted to £ 289,514 (2000 £ 174,811), comprising normal contributions of £ 216,894, together with additional contributions of £ 72,620 to meet the minimum funding requirements. The contribution rate as from 1 October, 2000 is 19%, payments in excess of that rate are treated as prepayments and expensed over the remaining service lives of the employees.

The funds are invested in a with profit group deferred annuity contract with Eagle Star Life Assurance Company Limited. The fair value of the scheme assets as at 31 December, 2001 was £ 4,151,490 and the expected rate of return for the year ended 31 December, 2002 is 7%.

As at 31 December, 2001 the present value of the scheme liabilities was £ 6,900,000 giving a deficit of £ 2,800,000. Under the transitional arrangements for the implementation of FRS 17 "Retirement Benefits" there is no requirement to recognise the deficit and accordingly, this deficit is not included as a liability in the Foundation's balance sheet as at 31 December, 2001.

Please also refer to Note 15 regarding proposed changes to this scheme.

The second scheme is a "defined contribution" scheme. The pension charge for the period for this scheme was £ 30,981 (2000 £ 30,981). There were no outstanding or prepaid contributions as at the year ends.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

8. TANGIBLE FIXED ASSETS

Group and Foundation

	As at 1st Jan-01	Additions	Transfers	Disposals	As at 31st Dec-01
Cost	£	£	£	£	£
Short leasehold property	260,000	-	-	-	260,000
Plant and equipment	3,061,072	129,638	13,052	(295,795)	2,907,967
Projects	13,052	-	(13,052)	-	-
Furniture and fittings	380,838	14,606	-	(6,517)	388,927
Motor vehicles	169,896	34,970	-	(47,011)	157,855
	<u>3,884,858</u>	<u>179,214</u>	<u>-</u>	<u>(349,323)</u>	<u>3,714,749</u>

	As at 1st Jan-01	Charged for the year	Change in Estimate	Disposals	As at 31st Dec-01
Depreciation	£	£	£	£	£
Short leasehold property	260,000	-	-	-	260,000
Plant and equipment	2,565,013	117,373	-	(261,468)	2,420,918
Furniture and fittings	327,571	25,413	-	(6,517)	346,467
Motor vehicles	107,842	31,647	-	(37,187)	102,302
	<u>3,260,426</u>	<u>174,433</u>	<u>-</u>	<u>(305,172)</u>	<u>3,129,687</u>

Net Book Value	<u>624,432</u>				<u>585,062</u>
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No analysis can be provided between direct charitable usage, support activities, or management and administration functions as the assets are interchangeable.

9. FUTURE CAPITAL EXPENDITURE

	2001 £	2000 £
Contracted for	<u>13,640</u>	<u>67,995</u>

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

	Group		Foundation	
	2001	2000	2001	2000
	£	£	£	£
10. STOCK				
Video cassettes and consumables	14,990	22,805	14,990	22,805
Work in progress - Facilities	9,982	1,137	9,977	486
	<u>24,972</u>	<u>23,942</u>	<u>24,967</u>	<u>23,291</u>

11. DEBTORS

Trade debtors	349,450	521,394	272,577	290,371
Amount due from subsidiary undertaking	-	-	4,879	106,368
Accrued income	-	-	-	46,528
Prepayments	92,714	28,945	92,714	28,945
Other debtors	9,509	4,830	9,509	4,830
	<u>451,673</u>	<u>555,169</u>	<u>379,679</u>	<u>477,042</u>

The amount due from subsidiary undertaking is secured on Hillside Studios Limited debtors. This amount is subject to trading terms of payment within 60 days before incurring interest charges.

12. CREDITORS: amounts falling due within one year

Trade creditors	321,859	146,936	321,518	145,932
Other taxation and social security	47,033	125,429	45,577	122,172
Accruals and deferred income	110,225	134,915	108,143	129,550
Pension Contributions	31,171	20,835	31,171	20,835
Other creditors	387,083	251,781	387,083	251,781
	<u>897,371</u>	<u>679,896</u>	<u>893,492</u>	<u>670,270</u>

13. CREDITORS: amounts falling due over one year

Accruals and deferred income	<u>184,674</u>	<u>235,758</u>	<u>184,674</u>	<u>235,758</u>
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14. CONSTITUTION

The company is limited by guarantee not having a share capital.

THE FOUNDATION FOR CHRISTIAN COMMUNICATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2001

(continued)

15. POST BALANCE SHEET EVENTS

During the course of the year 2001, it was decided that the Foundation's studios would cease to be fully crewed, and therefore Hillside Studios Limited would provide 'dry hire' studios only. Hillside Studios Limited will continue with Training and Corporate Video. This decision was actioned in January, 2002 and it is anticipated that this will result in a reduction in the level of commercial activity.

The Foundation's pension scheme was closed with effect from 6th April, 2002. The Rank Foundation has agreed to make an additional grant of approximately £ 3m to enable the Foundation to close the scheme. At the date of closure, net pension creditors of £ 150,361 will be released.