

Report and Group Accounts for the year ended 31 March 2001

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Foreword to the accounts for the year ended 31 March 2001

Introduction

The FILM COUNCIL has been established by Government as the strategic body responsible for developing the film industry and film culture in the UK. The FILM COUNCIL has two overarching objectives: to develop a sustainable UK film industry; and to develop film culture in the UK by improving access to, and education about, the moving image.

In July 1998 the Department for Culture, Media and Sport (DCMS) announced its intention to establish the FILM COUNCIL in order to provide strategic leadership for the whole film sector – cultural and industrial – and create coherent policies for addressing market failures, and encourage greater effectiveness and efficiency. The creation of the FILM COUNCIL is a particularly important initiative from both industry and Government viewpoints in that for the first time there is one organisation in the UK responsible for encouraging both cultural and commercial film activity.

The FILM COUNCIL is responsible for all DCMS Grant-in-aid for film (except the National Film & Television School). On 1 April 2000 the FILM COUNCIL assumed responsibility for the Arts Council of England's Lottery Film Department; *bfi* Production; the British Film Commission (BFC); British Screen Finance; funding for the British Film Institute and regional production funding.

The FILM COUNCIL has also been designated a Lottery distributor under the National Lottery Acts 1993

and 1998 and is responsible for Lottery funding for film production. The Arts Council of England continues to have responsibility for Lottery funding for film capital projects, stabilisation funding and other schemes. There are also separate Lottery funding functions in Wales, Scotland and Northern Ireland.

The FILM COUNCIL operates through a Board of Directors, chaired by Alan Parker.

The FILM COUNCIL was launched on 2 May 2000. The launch document *Towards a Sustainable UK Film Industry* was the first public statement of the FILM COUNCIL's overall industrial and cultural aims, its objectives and its initial funding programmes.

As part of the FILM COUNCIL, the BFC works to encourage overseas filmmakers to locate their production in the UK. The FILM COUNCIL works closely with the British Council's Film and Television Department on export promotion initiatives and also contributes to the cost of the British Film Office in Los Angeles.

Three new film production funds were set up and launched on 1 October 2000 – the Premiere Fund, New Cinema Fund and Development Fund. A target of 20% of each fund was set for investment in European production to build closer business links with European partners. A market study to inform the development of a strategy for increasing the export of British films was also initiated.

The FILM COUNCIL also created a Training Fund which will initially expand training opportunities for scriptwriters and producer/filmmakers in partnership with Skillset, the National Training Organisation for the broadcast, film, video and multimedia industry and began work on a new initiative called First Light which will offer children and young people the opportunity to experience filmmaking and explore their talents using low-cost technology.

Work also began on setting up a Research and Statistics Unit to collect, analyse and distribute data about the UK film industry.

Steps have been taken to look at the existing funding mechanisms for film within the nations and regions of the UK. An England-wide programme of consultation seminars was undertaken between April and August 2000 to enable the FILM COUNCIL to understand more fully the difficulties facing the development of film in the English regions. This led to the creation of a new Regional Investment Fund for England (RIFE) through which up to £6 million a year will be available to support cultural and industrial film initiatives in the English regions. The FILM COUNCIL is also working with its UK partner organisations: Scottish Screen (for Scotland), Sgrŷn (for Wales) and the Northern Ireland Film Commission, to ensure maximum co-operation and collaboration on all aspects of film policy.

Directors

Alan Parker – Chairman

Stewart Till – Deputy Chairman

Dawn Airey *(retired by rotation and reappointed 1 Sept 2000)*

Chris Auty *(retired by rotation and reappointed 1 Sept 2000)*

Joan Bakewell

Tim Bevan

Charles Denton*

John Hill

Duncan Kenworthy *(retired by rotation and reappointed 1 Sept 2000)*

James Lee

Colin Leventhal*

Sarah Radclyffe

Iain Smith*

Parminder Vir*

Paul Webster *(retired by rotation and reappointed 1 Sept 2000)*

All Directors were appointed by the Secretary of State for Culture, Media and Sport and unless stated above, remained Directors throughout the year.

*Directors who serve on the Audit Committee.

Registered and principal office

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

Auditors

Ernst & Young LLP, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

Internal auditors

Littlejohn Frazer, 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

The Directors present their report and accounts for the year ended 31 March 2001.

Results

The surplus for the year, after taxation, amounted to £61.75 million.

Foreword to the accounts

continued

Principal activity and review of the business

The FILM COUNCIL is the Government body responsible for developing the film industry and film culture in the UK.

The FILM COUNCIL was incorporated on 22 July 1999, and commenced activity in October 1999 absorbing the responsibilities and staff of the British Film Commission, the Production Department of the British Film Institute and the Lottery Film Department of the Arts Council of England on 1 April 2000. It was formally launched in May 2000.

In accordance with the wishes of the Secretary of State for Culture, Media and Sport, British Screen Finance Limited became a wholly owned subsidiary of the FILM COUNCIL on 1 October 2000.

October 2000 saw the commencement of funding activity in the revised form as envisaged in our previously published launch document *Towards a Sustainable UK Film Industry*. The Directors are confident that this represents the first step towards creating a sustainable and entrepreneurial British film industry. It is also developing a further series of measures, to be announced, which will further develop the FILM COUNCIL's strategy and enable it to achieve the objectives set by the Government.

The 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 from the National Lottery.

The FILM COUNCIL works at arm's length from Government and has the status of a Non-Departmental Public Body (NDPB). As such, it is regulated in accordance with Financial Memoranda issued by the Secretary of State. Accounts are prepared in accordance with the Accounts Direction, which is available from the Company Secretary at 10 Little Portland Street, London W1W 7JG. Separate accounts are also prepared for the Lottery fund.

The governing body of the FILM COUNCIL is the Board of Directors which consists of a Chairman, Deputy Chairman and 13 other Directors.

Future developments and events since the balance sheet date

The FILM COUNCIL's Training Fund was launched in April 2001. The fund provides targeted support for scriptwriters, development executives and producer/filmmakers in partnership with Skillset, the National Training Organisation for the moving image industry. In August 2001 the first awards from the First Light initiative, to offer children and young people the opportunity to experience filmmaking, became operational through a delegated funding arrangement with Hi8us FIRST LIGHT, based in Birmingham.

Work on the creation of a new Regional Investment Fund for England (RIFE) culminated in the launch of this

£6 million fund in June 2001. The fund will be available to support cultural and industrial film initiatives in the English regions through nine regional film boards created from the transfer of responsibility for film from the Arts Council of England to the FILM COUNCIL.

Directors

The Directors during the year were as set out on page 3. The FILM COUNCIL is a company limited by guarantee. The Secretary of State for Culture, Media and Sport has provided the single guarantee of £1. There are no Directors' interests requiring disclosure under the Companies Act 1985.

Employment and training policies and staff participation

The FILM COUNCIL is committed to a policy of equality of opportunity in its employment practices and continues to develop a culturally diverse workforce. The FILM COUNCIL's training and development programmes are designed to encourage and support all employees in improving performance. In particular the 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 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 FILM COUNCIL's activities are discussed and staff are regularly briefed on the matters discussed at Senior Management and Board meetings. Meetings of all staff are held regularly.

The FILM COUNCIL seeks to ensure that the requirements of health and safety legislation are met in the workplace.

Better Payment Practice Code

The 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 24 days and 92% of undisputed invoices were paid within 30 days of receipt into the Finance Department.

The Euro

The activities of the FILM COUNCIL are largely national. However, some exposure to transactions in Euros is anticipated. Financial systems and procedures are being reviewed to ensure that they are capable where necessary of dealing in that currency. Costs of ensuring compliance in the early stages are not expected to be significant.

Annual general meeting

An elective resolution was passed that, pursuant to s366A of the Companies Act 1985, the Company elected to dispense with the holding of annual general meetings in 2001 and subsequent years.

An elective resolution was passed that, pursuant to s252 of the Companies Act 1985, the Company elected to dispense with the laying of accounts and reports before the Company in general meeting in the current financial year and subsequent financial years.

Auditors

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Board consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. 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.

By Order of the Board



Stewart Till
Deputy Chairman
Date: 29 November 2001



Alan G Bushell
Secretary
Date: 29 November 2001

Foreword to the accounts

continued

Statement of Directors' responsibilities in respect of the accounts

Under its legislative framework the FILM COUNCIL is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and to show a true and fair view of the 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 accounts for each financial year, which give a true and fair view of the state of affairs of the FILM COUNCIL and of the surplus or deficit of the FILM COUNCIL for that period.

The Directors of the 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 judgments and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on the going concern basis, unless it is inappropriate to presume that the 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 FILM COUNCIL group and enable them to ensure that the accounts 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 to this the Department for Culture, Media and Sport has designated the Chief Executive Officer as Accounting Officer for the 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.

Statement on the system of internal financial control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the FILM COUNCIL group. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information; administrative procedures, including the segregation of duties; and a system of delegation and accountability.

In particular, it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of the FILM COUNCIL;
- Regular reviews by the Audit Committee of periodic and annual financial reports which indicate financial performance against the forecasts;
- Clearly defined capital investment control guidelines;
- Procedures for the assessment of applications and the management of grants, ensuring that all applications and awards receive sufficient and consistent processing in line with Policy and Financial Directions made by the Secretary of State;
- Procedures for monitoring projects funded by the FILM COUNCIL group.

The FILM COUNCIL has internal auditors who operate to standards defined in the Government Internal Audit Manual. The work of the internal auditors is guided by an analysis of the risk to which the body is exposed and annual internal audit plans are based on this analysis. The analysis of risk and internal audit plans are endorsed by the FILM COUNCIL's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity on the FILM COUNCIL. The report includes the HIA's independent opinion on the adequacy and effectiveness of the FILM COUNCIL's system of internal financial control.

My review of the effectiveness of the system of internal financial control is guided by the work of the internal auditors; the executive managers within the FILM COUNCIL who have the responsibility for the development and maintenance of the financial control framework; and comments made by the external auditors in their management letter and other reports.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking steps to comply with the Treasury's requirement for a statement of internal controls to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by them.



John Woodward
Chief Executive Officer
Date: 29 November 2001



Stewart Till
Deputy Chairman
Date: 29 November 2001

Report of the Auditors to the members of the FILM COUNCIL Limited

We have audited the accounts on pages 10 to 23, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 14 to 15.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the annual report. As described on page 6 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts 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 accounts, 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 the information specified by law regarding director's remuneration and transactions with the company is not disclosed. We 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.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on pages 6 and 7 reflect the company's compliance with HM Treasury's guidance '*Corporate governance; statement on the system of internal financial control*' and we report if it does not. We are not required to consider whether the company's statement on their controls cover all risks and controls, or form an opinion on the effectiveness of either the company's corporate governance procedures or internal financial control procedures.

Basis of audit opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion:

- The accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 2001 and of the surplus of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985;
- 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.



Ernst & Young LLP
Registered Auditor
London

Date: 30 November 2001

Group income and expenditure account for the year ended 31 March 2001

| | Notes | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|---|-------|--------------------------------------|--|
| Group turnover | 2 | 99,130 | 16,599 |
| Operating expenses | | | |
| Cost of sales | | (1,384) | – |
| Grant-in-aid awards made | | (17,939) | – |
| Provisions against film rights | 3 | (10,215) | (1,189) |
| Over provisions written back | 3 | 507 | – |
| Arts Council of England pre-committed expenditure | | (3,598) | – |
| Other operating expenses | 4 | (6,952) | (1,212) |
| Amortisation of negative goodwill | | 1,552 | – |
| Restructuring costs | | (450) | – |
| | | (38,479) | (2,401) |
| Operating surplus | | 60,651 | 14,198 |
| Bank interest receivable | | 1,511 | – |
| Notional cost of capital | 7 | (506) | – |
| Operating surplus after notional costs | | 61,656 | 14,198 |
| Reversal of notional cost of capital | | 506 | – |
| Surplus on ordinary activities before taxation | | 62,162 | 14,198 |
| Tax on surplus on ordinary activities | 8 | (416) | – |
| Surplus on ordinary activities for the year | | 61,746 | 14,198 |
| Surplus brought forward | | 14,198 | – |
| Surplus carried forward | | 75,944 | 14,198 |

There have been no recognised gains or losses for the year ended 31 March 2001 or for the period ended 31 March 2000 other than as disclosed above.

Group balance sheet as at 31 March 2001

| | Notes | 2001 £000s | 2000 £000s |
|---|-------|---------------|---------------|
| Fixed assets | | | |
| Intangible assets | 9 | (6,207) | – |
| Tangible assets | 10 | 1,551 | 125 |
| | | (4,656) | 125 |
| Current assets | | | |
| Film rights | 11 | 17,602 | 2,747 |
| Other debtors | 12 | 876 | 69 |
| Balance at the National Lottery Distribution Fund | 13 | 41,470 | 15,631 |
| Cash at bank and in hand | 14 | 28,624 | 128 |
| | | 88,572 | 18,575 |
| Creditors: amounts falling due within one year | | | |
| Lottery commitments to filmmakers | 15 | 3,859 | 2,754 |
| Other creditors | 16 | 4,113 | 1,748 |
| | | 7,972 | 4,502 |
| Net current assets | | 80,600 | 14,073 |
| Total assets less current liabilities | | 75,944 | 14,198 |
| Capital and reserves | | | |
| Grant-in-aid reserve | 22 | 2,331 | 287 |
| Lottery reserve | 22 | 73,029 | 13,911 |
| General reserve | 22 | 584 | – |
| | | 75,944 | 14,198 |



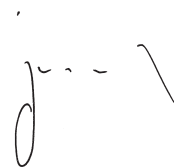
John Woodward
Chief Executive Officer
Date: 29 November 2001



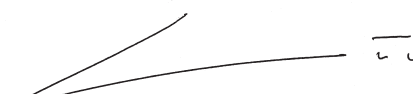
Stewart Till
Deputy Chairman
Date: 29 November 2001

Company balance sheet as at 31 March 2001

| | Notes | 2001 £000s | 2000 £000s |
|---|-------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 10 | 1,535 | 125 |
| | | 1,535 | 125 |
| Current assets | | | |
| Film rights | 11 | 12,491 | 2,747 |
| Debtors | 12 | 1,785 | 69 |
| Balance at the National Lottery Distribution Fund | 13 | 41,470 | 15,631 |
| Cash at bank and in hand | 14 | 23,719 | 128 |
| | | 79,465 | 18,575 |
| Creditors: amounts falling due within one year | | | |
| Lottery commitments to filmmakers | 15 | 3,859 | 2,754 |
| Creditors | 16 | 1,781 | 1,748 |
| | | 5,640 | 4,502 |
| Net current assets | | 73,825 | 14,073 |
| Total assets less current liabilities | | 75,360 | 14,198 |
| Capital and reserves | | | |
| Grant-in-aid reserve | 22 | 2,331 | 287 |
| Lottery reserve | 22 | 73,029 | 13,911 |
| | | 75,360 | 14,198 |



John Woodward
Chief Executive Officer
Date: 29 November 2001



Stewart Till
Deputy Chairman
Date: 29 November 2001

Group statement of cash flows for the year ended 31 March 2001

| | Notes | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|---|-----------|--------------------------------------|--|
| Net cash inflow from operating activities | 5 | 24,398 | 274 |
| Returns on investments and servicing of finance | | | |
| Bank interest received | | 1,323 | – |
| Taxation | | | |
| Tax paid | | (2) | – |
| Capital expenditure and financial investment | | | |
| Payments to acquire tangible fixed assets | | (1,636) | (146) |
| Proceeds from disposal of shares | 23 | 125 | – |
| Acquisitions and disposals | | | |
| Net cash acquired with subsidiary undertaking | 23 | 4,288 | – |
| Increase in cash | 14 | 28,496 | 128 |
| Reconciliation of net cash flow to movement in net funds | | | |
| | Notes | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
| Increase in cash | | 28,496 | 128 |
| Change in net funds resulting from cash flows | | 28,496 | 128 |
| Net funds at 1 April | | 128 | – |
| Net funds at 31 March | 14 | 28,624 | 128 |

Notes to the accounts

Note 1: Accounting policies

a) Basis of accounts

These accounts are prepared under the historical cost convention. The difference between the value of fixed assets and stocks determined on a historical cost basis and on a current cost basis is not material.

The accounts 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 group, and in accordance with applicable Accounting Standards.

In accordance with the directions issued by the Secretary of State for Culture, Media and Sport, accounts have been prepared for the FILM COUNCIL group as a whole and separate accounts have been prepared for the FILM COUNCIL's Lottery activities.

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

b) Basis of consolidation

The group accounts consolidate the accounts of the FILM COUNCIL and all its subsidiary undertakings drawn up to 31 March 2001. An income and expenditure account is not presented for the FILM COUNCIL as permitted by section 230 of the Companies Act 1985.

British Screen Finance Limited has been included in the group accounts using the acquisition method of accounting. Accordingly, the group income and expenditure account and statement of cash-flows include the results and cash-flows of British Screen Finance Limited for the period from its effective date of acquisition on 1 April 2000. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

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 is treated as negative goodwill and is capitalised and amortised through the income and expenditure account. The negative goodwill arises substantially from recoverable loans to film-makers and will be amortised 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 Arts Council of England portfolio recoupment (see note 1(h)). Grant-in-aid from the Department for Culture, Media and Sport is credited to the income and expenditure account in the period to which it relates.

As required by the Secretary of State, a distinction is made in respect of Lottery awards between 'hard commitments' and 'soft commitments'. Where the 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 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 accounts 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 film-makers 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) 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
- Transferred assets: over deemed useful life of asset

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

f) 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.

However the share of these balances attributable to the FILM COUNCIL is as shown in the accounts 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 FILM COUNCIL in respect of current and future commitments (see note 13). The amount attributable to the FILM COUNCIL has been treated as income within these accounts.

g) Film rights

Film rights represent loans paid and advances paid and payable to film-makers and are included in the balance sheet, with provisions raised against the carrying value of an advance to the extent that full repayment is not expected. The amount payable is also recorded as a liability on the balance sheet.

All advances to filmmakers are repayable under certain conditions. Where a feature film made with the assistance of the FILM COUNCIL is successfully released, the 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. Profits are taken to income when payments are received.

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 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.

h) 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 the Arts Council of England is taken directly to the income and expenditure account as these rights are recognised on the FILM COUNCIL balance sheet at zero value. This reflects the Arts Council of 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 FILM COUNCIL.

i) Notional cost of capital

A notional cost of capital charge is shown in the income and expenditure account in accordance with Treasury guidance. The basis of the charge excludes balances at the National Lottery Distribution Fund, film rights and corresponding creditors. The charge is subsequently reversed in the income and expenditure account so a provision is not made in the balance sheet.

j) Deferred tax

Deferred tax is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated that the timing differences will reverse.

k) 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.

l) Leasing commitments

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

m) Pensions

The company operates a defined benefit pension scheme, open to all employees, which requires contributions to be made to a separately administered fund.

Contributions to this fund are charged in the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the FILM COUNCIL. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.

Notes to the accounts

continued

Note 2 – Turnover

Comprises

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|---|--------------------------------------|--|
| FILM COUNCIL funding received from the National Lottery | | |
| Share of proceeds from the National Lottery | 31,474 | 15,838 |
| Investment returns on the National Lottery Distribution Fund | 2,581 | 209 |
| Arts Council of England delegation income | 36,596 | – |
| Arts Council of England portfolio recoupment income | 4,175 | – |
| | 74,826 | 16,047 |
| FILM COUNCIL Grant-in-aid voted by Parliament and paid in full | 21,760 | 552 |
| British Screen Finance income received from | | |
| Arts Council of England | 28 | – |
| Sales of film rights | 1,512 | – |
| Interest received from film loans | 212 | – |
| Profits from films | 472 | – |
| Fees receivable | 320 | – |
| | 2,544 | – |
| Total turnover | 99,130 | 16,599 |

The Arts Council of England delegation income arises from a transfer agreement of April 2001 between the FILM COUNCIL and the Arts Council of England. The FILM COUNCIL acquired ownership of rights in a portfolio of film awards for which no consideration was paid. These rights are reflected on the FILM COUNCIL balance sheet at zero value reflecting the Arts Council of England's accounting policy to write off the value of all advances in the year of the award.

The transfer agreement, also provided for a transfer of Lottery

funds to the FILM COUNCIL.

These funds represent the film cash allocation of the Arts Council of England that had not been drawn down from the National Lottery Distribution Fund as at the date of transfer. A proportion of this relates to outstanding liabilities on awards similarly transferred.

This transfer of funds is shown as Arts Council of England delegation income on the income and expenditure account, with a consequent charge to reflect payment during the year of hard commitments transferred. Otherwise liabilities outstanding

at the date of transfer were taken to 'commitments to filmmakers' on the balance sheet. The cash payment under the transfer agreement was £35.41 million after the deduction of £1.18 million for amounts paid by the Arts Council of England on behalf of the FILM COUNCIL prior to April 2001.

Awards that were still soft commitments at the point of transfer, but have hardened since, are treated in the same manner as changes in such commitments arising from FILM COUNCIL awards.

Note 3 – Provisions against film rights

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|---|--------------------------------------|--|
| British Screen Finance loans | 790 | – |
| British Screen Finance short films | 140 | – |
| British Screen Finance development loans | 408 | – |
| European Co-Production Fund loans | 1,003 | – |
| European Co-Production Fund development loans | 125 | – |
| FILM COUNCIL film awards | 7,749 | 1,189 |
| | 10,215 | 1,189 |
| Overprovisions written back | | |
| British Screen Finance loans | 156 | – |
| British Screen Finance short films | 8 | – |
| British Screen Finance development loans | 79 | – |
| National Film Finance Corporation | 106 | – |
| European Co-Production Fund loans | 149 | – |
| European Co-Production Fund development loans | 9 | – |
| | 507 | – |

Note 4 – Other operating expenses

This is stated after charging:

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|--|--------------------------------------|--|
| Depreciation | 249 | 21 |
| Auditor's remuneration – internal | 7 | – |
| Auditor's remuneration – Ernst & Young | 32 | 23 |
| Operating lease rentals – land and buildings | 34 | – |

In addition, for the audit of the National Lottery Accounts, the National Audit Office remuneration was £15,000 for

the year ended 31 March 2001 and £18,000 for the period ended 31 March 2000.

Note 5 – Statement of cash flows

Reconciliation of operating surplus to net cash flows from operating activities

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|---|--------------------------------------|--|
| Operating surplus | 60,651 | 14,198 |
| Depreciation | 249 | 21 |
| Amortisation of negative goodwill | (1,552) | – |
| Provision for losses on loans | 10,215 | – |
| Provisions written back | (147) | – |
| Loans advanced | (24,580) | (2,747) |
| Receipts from loans | 2,647 | – |
| Increase in debtors | (26,190) | (15,700) |
| Increase in creditors | 3,105 | 4,502 |
| Net cash inflow/(outflow) from operating activities | 24,398 | 274 |

Note 6 – Staff costs

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|-----------------------|--------------------------------------|--|
| Wages and salaries | 2,522 | 145 |
| Social Security costs | 271 | 17 |
| Other pension costs | 135 | 14 |
| | 2,928 | 176 |

In August 2000 the FILM COUNCIL became an admitted body of the Local Government Pension Scheme, which operates a defined benefit pension scheme for those 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 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 triennial valuations using the projected unit method. An actuarial valuation is to be carried out in 2001–02. All employees are entitled to join the scheme.

Average number of employees

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|-------------------------------|--------------------------------------|--|
| Management and administration | 54 | 5 |

Note 6 – Staff costs (continued)

The remuneration of the Chief Executive Officer was

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|----------------------|--------------------------------------|--|
| John Woodward | | |
| Salary and benefits | 99,489 | 39,580 |
| Bonus | 19,000 | 19,000 |
| Total | 118,489 | 58,580 |
| Pension contribution | 15,552 | 6,333 |

Salary and entitlements of senior staff members of the FILM COUNCIL are as follows:

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|--|--------------------------------------|--|
| Michael Kelly – Head of Finance | 75 – 80 | 10 – 15 |
| Ted Ulas – General Manager | 55 – 60 | 20 – 25 |
| Robert Jones – Head of Premiere Fund (from 22/8/00) | 90 – 95 | – |
| Paul Trijbits – Head of New Cinema Fund (from 16/9/00) | 65 – 70 | – |
| Jenny Borgars – Head of Development Fund (from 2/10/00) | 35 – 40 | – |
| Steve Norris – British Film Commissioner (from 1/4/00) | 100 – 105 | – |
| Carolyn Lambert – Head of Policy (from 1/4/00) | 60 – 65 | – |
| Jackie O’Sullivan – Head of Business Affairs (from 1/9/00) | 55 – 60 | – |

Ted Ulas, Robert Jones, Paul Trijbits and Carolyn Lambert are in the Local Government Pension Scheme as operated by the FILM COUNCIL and have accrued benefits as a result of their period of employment at the FILM

COUNCIL payable on retirement. John Woodward, Michael Kelly, Jenny Borgars and Steve Norris are all members of private pension schemes to which monetary contributions were made during the year.

Directors’ remuneration (including daily allowances) is:

| | Year ended 31 March 2001 £ | 9 months ended 31 March 2000 £ |
|-----------------|----------------------------------|--------------------------------------|
| Joan Bakewell | 3,950 | 1,050 |
| Colin Leventhal | 3,600 | – |
| Sarah Radclyffe | 3,595 | 1,575 |
| Parminder Vir | 4,130 | 1,400 |
| | 15,275 | 4,025 |

Notes to the accounts

continued

Note 7 – Notional cost of capital

Notional cost of capital is calculated at 6% of the average net assets employed by the FILM COUNCIL in the year, excluding the balances in the National Lottery Distribution Fund, film rights and the matching Lottery award liabilities.

Note 8 – Taxation

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|-----------------|--------------------------------------|--|
| Corporation tax | 416 | – |

Note 9 – Intangible fixed assets

| | Goodwill £000s | Total £000s |
|---------------------------------|-------------------|----------------|
| Cost | | |
| At 1 April 2000 | – | – |
| On acquisitions of subsidiaries | (7,759) | (7,759) |
| At 31 March 2001 | (7,759) | (7,759) |
| Amortisation | | |
| At 1 April 2000 | – | – |
| Charge for the year | 1,552 | 1,552 |
| At 31 March 2001 | 1,552 | 1,552 |
| Net book value | | |
| At 1 April 2000 | – | – |
| At 31 March 2001 | (6,207) | (6,207) |

Note 10 – Tangible fixed assets

| Group | Leasehold improvements £000s | IT equipment £000s | Office equipment £000s | Transferred assets £000s | Total £000s |
|-----------------------|------------------------------------|--------------------------|------------------------------|--------------------------------|----------------|
| Cost | | | | | |
| At 1 April 2000 | 86 | 60 | – | – | 146 |
| Additions | 1,195 | 139 | 302 | 39 | 1,675 |
| At 31 March 2001 | 1,281 | 199 | 302 | 39 | 1,821 |
| Depreciation | | | | | |
| At 1 April 2000 | 6 | 15 | – | – | 21 |
| Charge for the year | 86 | 50 | 74 | 39 | 249 |
| At 31 March 2001 | 92 | 65 | 74 | 39 | 270 |
| Net book value | | | | | |
| At 1 April 2000 | 80 | 45 | – | – | 125 |
| At 31 March 2001 | 1,189 | 134 | 228 | – | 1,551 |

Note 10 – Tangible fixed assets (continued)

| Company | Leasehold improvements £000s | IT equipment £000s | Office equipment £000s | Transferred assets £000s | Total £000s |
|-----------------------|---------------------------------|-----------------------|---------------------------|-----------------------------|----------------|
| Cost | | | | | |
| At 1 April 2000 | 86 | 60 | – | – | 146 |
| Additions | 1,193 | 139 | 284 | 39 | 1,655 |
| At 31 March 2001 | 1,279 | 199 | 284 | 39 | 1,801 |
| Depreciation | | | | | |
| At 1 April 2000 | 6 | 15 | – | – | 21 |
| Charge for the year | 85 | 50 | 71 | 39 | 245 |
| At 31 March 2001 | 91 | 65 | 71 | 39 | 266 |
| Net book value | | | | | |
| At 1 April 2000 | 80 | 45 | – | – | 125 |
| At 31 March 2001 | 1,188 | 134 | 213 | – | 1,535 |

Note 11 – Film rights

| Group | British Screen Finance Limited £000s | European Co-Production Fund £000s | FILM COUNCIL Limited £000s | Total £000s |
|----------------------------|---|--------------------------------------|-------------------------------|----------------|
| At 1 April 2000 | – | – | 2,747 | 2,747 |
| British Screen acquisition | 3,798 | 2,250 | – | 6,048 |
| Advances | 2,523 | 1,129 | 20,928 | 24,580 |
| Repayments | (1,764) | (866) | (17) | (2,647) |
| Decommitments | – | – | (3,418) | (3,418) |
| Deprovisions | 349 | 158 | – | 507 |
| Provisions | (1,337) | (1,129) | (7,749) | (10,215) |
| At 31 March 2001 | 3,569 | 1,542 | 12,491 | 17,602 |

| Company | Lottery £000s | Total £000s |
|------------------|------------------|----------------|
| At 1 April 2000 | 2,747 | 2,747 |
| Advances | 20,928 | 20,928 |
| Repayments | (17) | (17) |
| Decommitments | (3,418) | (3,418) |
| Provisions | (7,749) | (7,749) |
| At 31 March 2001 | 12,491 | 12,491 |

Note 12 – Debtors

| Group | 2001 £000s | 2000 £000s |
|--------------------------------|---------------|---------------|
| Trade debtors | 152 | 9 |
| Prepayments and accrued income | 172 | 3 |
| VAT receivable | 321 | – |
| Other debtors | 231 | 57 |
| | 876 | 69 |

| Company | 2001 £000s | 2000 £000s |
|----------------------------------|---------------|---------------|
| Due from subsidiary undertakings | 1,155 | – |
| Trade debtors | 21 | 9 |
| Prepayments and accrued income | 123 | 3 |
| VAT receivable | 280 | – |
| Other debtors | 206 | 57 |
| | 1,785 | 69 |

Note 13 – Balance at the 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.

However, the share of these balances attributable to the FILM COUNCIL is as shown in the accounts and, at the balance sheet date, had been notified by

the Secretary of State for Culture, Media and Sport as being available for distribution by the FILM COUNCIL in respect of current and future year commitments.

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

The 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).

Notes to the accounts

continued

Note 14 – Cash and liquid resources

| Group | At 1 April 2000 £000s | Net cash flow £000s | At 31 March 2001 £000s |
|--------------------------|--------------------------|------------------------|---------------------------|
| Cash at bank and in hand | 128 | 28,496 | 28,624 |

| Company | At 1 April 2000 £000s | Net cash flow £000s | At 31 March 2001 £000s |
|--------------------------|--------------------------|------------------------|---------------------------|
| Cash at bank and in hand | 128 | 23,591 | 23,719 |

A transfer of Lottery cash was made from the Arts Council of England to the FILM COUNCIL during the year. It was hoped that the transfer could occur between the National Lottery Distribution Fund balances of the two organisations. The FILM COUNCIL would then draw down from this fund according to need and therefore fulfilling Lottery best practice as advised by the DCMS. However the National Lottery

Distribution Fund advised that the only means permissible for the transfer was for an actual cash transfer to be made between the Arts Council of England and the FILM COUNCIL. The FILM COUNCIL could not then repay into the distribution fund. The FILM COUNCIL and Arts Council of England therefore have complied with this advice.

As a result at the year end the FILM COUNCIL holds substantial Lottery funds in its own bank account. The FILM COUNCIL will not draw down further funds from the National Lottery Distribution Fund in 2001/02 until these funds are utilised.

Note 15 – Soft and hard commitments to filmmakers

| Group and company soft and hard commitments to filmmakers | 2001 £000s | 2000 £000s |
|--|---------------|---------------|
| Soft commitments brought forward | 2,285 | – |
| Soft commitments transferred from the Arts Council of England | 70,710 | 3,779 |
| Soft commitments made | 16,117 | 2,442 |
| Soft commitments transferred back from hard commitments | 5,161 | – |
| Soft decommitments | (8,144) | – |
| Soft commitments transferred to hard commitments | (20,928) | (3,936) |
| Balance of soft commitments outstanding carried forward | 65,201 | 2,285 |

| | | |
|--|--------------|--------------|
| Hard commitments brought forward | 2,754 | – |
| Hard commitments transferred from the Arts Council of England | 11,646 | – |
| Hard commitments made | 20,928 | 3,936 |
| Hard decommitments | (6,305) | (1,182) |
| Hard commitments transferred back to soft commitments | (5,161) | – |
| Hard commitments met in the period to 31 March 2001 | (20,003) | – |
| Balance of hard commitments outstanding carried forward | 3,859 | 2,754 |

Under the transfer agreement between the FILM COUNCIL and the Arts Council of England a portfolio of active awards was transferred to the FILM COUNCIL on 1 April 2000. The transfer of the hard and soft commitments is consistent with the hard and soft status of the awards at the Arts Council of England as at 31 March 2000.

Of the £70.71 million of soft commitments transferred, £67.14 million relates to the three franchise awards. The treatment of these soft commitments by the FILM COUNCIL will continue to be that of the Arts Council – any element of the total award made to a franchise holder that has not yet been allocated to a specific project, or where a specific project allocation has not yet hardened,

continues to be shown as a soft commitment. Of the £67.14 million, £17.7 million was allocated to specific franchise projects in the year.

£5.16 million has been decommitted and transferred from hard commitments back into soft commitments during the year.

Ageing of hard commitments

| | 2001 £000s | 2000 £000s |
|-------------------------------|---------------|---------------|
| 2000-01 | – | 2,754 |
| 2001-02 | 3,859 | – |
| Total hard commitments | 3,859 | 2,754 |

It is anticipated that all outstanding hard commitments as at 31 March 2001 will be fully paid by 31 March 2002.

Note 16 – Creditors: amounts falling due within one year

| Group | 2001 £000s | 2000 £000s |
|-------------------------------------|-----------------------|-----------------------|
| Trade creditors | 2,846 | 195 |
| Accruals and deferred income | 595 | 100 |
| Corporation tax | 490 | – |
| Other creditors and Social Security | 182 | 1,453 |
| | 4,113 | 1,748 |

| Company | 2001 £000s | 2000 £000s |
|-------------------------------------|-----------------------|-----------------------|
| Trade creditors | 862 | 195 |
| Accruals and deferred income | 490 | 100 |
| Corporation tax | 246 | – |
| Other creditors and Social Security | 183 | 1,453 |
| | 1,781 | 1,748 |

Note 17 – Deferred taxation

The company had no potential liability to deferred taxation at 31 March 2001 (31 March 2000: nil).

Note 18 – Leases

As at 31 March 2001, the FILM COUNCIL had annual commitments under a non-cancellable operating lease as set out below.

| | £000s |
|--|--------------|
| Operating lease which expires in over five years | 315 |

Note 19 – Capital commitments

As at 31 March 2001 the FILM COUNCIL was committed to a building renovations programme at its Little Portland Street offices. The cost of this was anticipated to be £90,000.

Note 20 – Grant-in-aid commitments for future years

As at 31 March 2001 the FILM COUNCIL had Grant-in-aid commitments for 2001/02 as follows:

| | |
|------------------------|-------------|
| British Film Institute | £14,050,000 |
| Regional awards | £2,875,000 |

Note 21 – Company limited by guarantee

The FILM COUNCIL is a company limited by guarantee.

The guarantee of £1 has been provided by the Secretary of State for the Department for Culture, Media and Sport.

Notes to the accounts continued

Note 22 – Movements in reserves

| Group | General reserve £000s | Grant-in-aid reserve £000s | Lottery reserve £000s | Total £000s |
|-------------------------|--------------------------|-------------------------------|--------------------------|----------------|
| At 1 April 2000 | – | 287 | 13,911 | 14,198 |
| Surplus for year | 584 | 2,044 | 59,118 | 61,746 |
| At 31 March 2001 | 584 | 2,331 | 73,029 | 75,944 |

| Company | Grant-in-aid reserve £000s | Lottery reserve £000s | Total £000s |
|-------------------------|-------------------------------|--------------------------|----------------|
| At 1 April 2000 | 287 | 13,911 | 14,198 |
| Surplus for the year | 2,044 | 59,118 | 61,162 |
| At 31 March 2001 | 2,331 | 73,029 | 75,360 |

Note 23– Control gained over British Screen Finance Ltd on 1 April 2000

On 1 April 2000, FILM COUNCIL Limited gained effective control of British Screen Finance Limited (BSF) and its subsidiaries. This was attained when FILM COUNCIL Limited purchased a minority of the shares in BSF. The shares were purchased from Rank (FF) Limited at a cost of £2

and although the purchase was a minority of the total BSF shares, an agreement had been signed by 1 April 2000 which set out the conditions under which all the remaining shares were to be purchased by FILM COUNCIL Limited. The remaining shares were purchased on 1 October

2000 for a further £6 giving the FILM COUNCIL 100% legal ownership.

The book values of British Screen Finance at 1 April 2000, of each class of assets and liabilities acquired were as follows:

| | Book value £000s | Fair value adjustments £000s | Fair value £000s |
|---------------------------------|---------------------|---------------------------------|---------------------|
| Tangible assets | 41 | – | 41 |
| Share of associate | 6 | – | 6 |
| Total non-current assets | 47 | – | 47 |
| Loans | 5,688 | 360 | 6,048 |
| Debtors | 470 | – | 470 |
| Cash | 4,288 | – | 4,288 |
| Total current assets | 10,446 | 360 | 10,806 |
| Creditors | (3,876) | 782 | (3,094) |
| Net assets | 6,617 | 1,142 | 7,759 |

The fair value adjustments to loans arises from replacement of a general provision against non-repayment as at April 1 2000, by specific provisions against individual loans as at 31 March 2001.

On 3 April 2000 British Screen Finance Limited made full and final payment at the rate of fifty pence in the pound against the interest accrued on loan stock. The fair value adjustment to creditors represents the element of the outstanding interest waived by the loan stock holders.

On 12 March 2001 British Screen Finance Limited sold its 25% share in The Sales Consortium Limited for £125,000.

Schedules

Note 24 – Related parties

| Organisation | Name | Relationship | Awards |
|--|-------------------------------|--------------|-----------|
| The Film Consortium/ Sales Company | John Christopher Auty | Director | 6,107,760 |
| FilmFour (in co-production with or holding UK TV licence for Feelgood Films/Century Films/Pipedream Pictures/Spectre Films/ Velvet Films/WOW Productions/ Trijbits Productions Ltd) | Paul Webster | Director | 4,468,072 |
| Pathé Pictures Ltd | Sarah Radclyffe | Director | 7,596,050 |
| DNA Films Ltd | Duncan Kenworthy James Lee | Director | 4,000,000 |
| WT2 Ltd | Tim Bevan | Director | 1,000,000 |
| Jonescompany (Productions) Ltd | Robert Jones | Employee | 1,000,000 |
| Trijbits Productions Ltd (in co-production with WOW Productions Ltd) | Paul Trijbits | Employee | 359,989 |
| Picture Palace North (Large) Ltd (in co-production with The Film Consortium) | Alex Usbourne | Employee | 125,000 |

The awards to companies where Paul Trijbits and Alex Usborne had an interest were made prior to their joining the FILM COUNCIL and both films, *My Brother Tom*

and *Large* respectively, were in production prior to their joining. The award to Jonescompany (Productions) Ltd was not taken up.

The following related party transactions occurred during the year.

Schedule 1: Grant-in-aid awards in the year ending 31 March 2001

| Organisation | £ |
|---|-------------------|
| BFI Production Film Award - for the film <i>My Brother Tom</i> | 21,000 |
| British Council | 30,000 |
| British Film Institute | 16,450,000 |
| British Film Office (Los Angeles) | 112,000 |
| East Midlands Arts | 62,545 |
| East of England Arts | 42,003 |
| English Partnership | 50,000 |
| First Film Foundation | 20,500 |
| Greenlight Fund | 27,500 |
| Greater London Authority | 11,875 |
| London Film and Video Development Agency | 204,382 |
| London Film Commission | 150,000 |
| North West Arts | 146,065 |
| Northern Arts | 180,526 |
| Script Factory | 26,316 |
| South East Arts | 51,850 |
| Sgrín | 18,750 |
| South West Film Commission | 10,782 |
| South West Media Development Agency | 81,031 |
| Southern Arts | 78,018 |
| West Midlands Arts | 65,255 |
| Yorkshire Arts | 97,726 |
| Total Grant-in-aid awards 2000–01 | 17,938,124 |

Schedules

continued

Schedule 2: Lottery awards made in the year ending 31 March 2001

Awards to non-franchisees disclosed as soft commitments

| Producer | Film | £ |
|--|---------------------------------|-------------------|
| Ancient Mariner Productions | The City | 100,000 |
| APT Film And Television Ltd | Skin Deep | 30,000 |
| Bard Entertainment Ltd | Revenger's Tragedy | 500,000 |
| Cargo Film Ltd | Dustbaby | 27,615 |
| Century Films Ltd | The Tyre | 45,258 |
| Company of Wolves Ltd | The Actors | 850,000 |
| Company Pictures Ltd | Morvern Callar | 500,000 |
| Disruptive Element Films Ltd | Landmark | 20,000 |
| Entertainment Film Distributors Ltd | Mike Bassett: England Manager | 250,000 |
| Faction Films Ltd & Faction North Ltd | Relativity | 30,000 |
| Fat Melon Films Ltd | The Hangman's Apprentice | 3,000 |
| Fat Pictures Ltd | Taxi! | 11,825 |
| Feelgood Fiction Ltd | Carbon Miranda | 849,315 |
| Footprint Films Ltd | This is not a Love Song | 8,383 |
| Fragile Films Ltd | The Importance of Being Earnest | 1,244,697 |
| Frames of Reference Films Ltd | Dellilah | 21,325 |
| Gabriel Films Ltd | Blood Relative | 5,500 |
| Granada Films Ltd (Pippa Cross) | Bloody Sunday | 250,000 |
| Hallmark Entertainment Ltd | Mike Bassett: England Manager | 1,200,000 |
| Haystack Productions Ltd | Drunken Monkey | 21,850 |
| Hot Property Ltd | Dogfight | 839,501 |
| Jonescompany (Productions) Ltd | Dirty Pretty Things | 1,000,000 |
| Martin Pope Productions Ltd | The Lawless Heart | 200,000 |
| Mustard Films Ltd | Shadow Man | 20,000 |
| Penultimate Productions | King's Ransom | 27,025 |
| Philip John & Sian Hughes | Ultramaroon | 4,000 |
| Pipedream Pictures Ltd | Crush aka A Certain Age | 875,000 |
| Proboscis Ltd | Mapping Perception | 32,400 |
| Roc Media (in assoc. with Umbi Films) | Bend it like Beckham | 945,043 |
| Scala (Boswell) Ltd | Boswell for the Defence | 1,371,484 |
| Seedfold Films | How Mermaids Breed | 32,341 |
| Spectre Films Ltd | The Invasion | 34,100 |
| Starfield Productions Ltd | Anita & Me | 600,000 |
| Strange Dog Ltd | Once Seen | 33,173 |
| The Illuminated Film Company Ltd | War Game | 400,000 |
| This is not a Company Ltd | This is not a Love Song | 194,214 |
| Treasure Films Ltd | Ape | 150,000 |
| Velvet Films (formerly known as Frank Films) | Dish | 30,000 |
| WOW Productions Ltd & Trijbits Productions Ltd | My Brother Tom | 359,989 |
| WT2 Ltd (Working Title) | Long Time Dead | 1,000,000 |
| Zestwick Ltd | Gosford Park | 2,000,000 |
| Total single project awards | | 16,117,038 |

Awards to franchisees disclosed as soft commitments

| Company | Film | £ |
|---|---------------------------------|-------------------|
| DNA Films Ltd | The Parole Officer | 2,000,000 |
| DNA Films Ltd | * The Boy who Dealt It | 2,000,000 |
| Pathé Pictures Ltd | A Romantic Comedy about Divorce | 38,750 |
| Pathé Pictures Ltd | Agent X | 37,500 |
| Pathé Pictures Ltd | Dead Sexy | 45,000 |
| Pathé Pictures Ltd | Feet Up | 41,750 |
| Pathé Pictures Ltd | It was an Accident | 99,850 |
| Pathé Pictures Ltd | Minister of Fun | 47,950 |
| Pathé Pictures Ltd | Ode to Pandora | 34,750 |
| Pathé Pictures Ltd | The Abduction Club | 1,500,000 |
| Pathé Pictures Ltd | The Alchemist | 41,750 |
| Pathé Pictures Ltd | The Hole | 1,500,000 |
| Pathé Pictures Ltd | The Man who Killed Don Quixote | 2,000,000 |
| Pathé Pictures Ltd | The Mighty Walzer | 57,000 |
| Pathé Pictures Ltd | The Wedding Gift | 41,750 |
| Pathé Pictures Ltd | There's only One Jimmy Grimble | 60,000 |
| Pathé Pictures Ltd | * Thunderpants | 2,000,000 |
| Pathé Pictures Ltd | Untitled - Simon Beaufoy | 50,000 |
| The Film Consortium Ltd | Chameleon | 6,000 |
| The Film Consortium Ltd | The Rose of Tralee | 8,500 |
| The Film Consortium Ltd | 24 Hour Party People | 2,020,000 |
| The Film Consortium Ltd | Blindfold | 15,000 |
| The Film Consortium Ltd | Brian Jones Project | 19,000 |
| The Film Consortium Ltd | Bronte | 8,500 |
| The Film Consortium Ltd | Child of Air | 11,500 |
| The Film Consortium Ltd | Dr Sleep | 1,390,000 |
| The Film Consortium Ltd | Dust | 109,410 |
| The Film Consortium Ltd | Fattypuffs and Thinifers | 20,000 |
| The Film Consortium Ltd | Haroun and the Sea of Stories | 60,000 |
| The Film Consortium Ltd | Innocence | 19,750 |
| The Film Consortium Ltd | Janice Beard 45 wpm | 200,000 |
| The Film Consortium Ltd | Large | 125,000 |
| The Film Consortium Ltd | Quiz Night | 13,600 |
| The Film Consortium Ltd | Room to Rent | 20,000 |
| The Film Consortium Ltd | Seven against the West | 34,000 |
| The Film Consortium Ltd | Streets above Us | 10,000 |
| The Film Consortium Ltd | The 51st State | 2,000,000 |
| The Film Consortium Ltd | Transgressions | 15,000 |
| The Film Consortium Ltd | Ugly Streakers | 2,500 |
| Total franchise awards | | 17,703,810 |
| Total awards made 1 April 2000 – 31 March 2001 | | 33,820,848 |

*DNA Films Ltd did not take up the award and the re-titled film was then subject to an award through Pathé Pictures Ltd.

Schedule 3: Lottery hard commitments in the year ending 31 March 2001

Hard commitments to non-franchisees

| Producer | Film | £ |
|--|------------------------------------|-----------|
| Feature film awards | | |
| Company Pictures Ltd | Morvern Callar | 500,000 |
| Dragon Pictures Ltd | Very Annie Mary aka Untitled Wales | 50,000 |
| Footprint Films Ltd | Wanted | 319,149 |
| Mariner Films Ltd | Pandaemonium | 63,152 |
| Martin Pope Productions Ltd | The Lawless Heart | 200,000 |
| Mass Productions Ltd | Cassandra at the Wedding | 1,000,000 |
| Pipedream Pictures Ltd | Crush aka A Certain Age | 875,000 |
| Tall Stories Ltd | This Filthy Earth | 598,648 |
| WOW Productions Ltd & Trijbits Productions Ltd | My Brother Tom | 359,989 |
| WT2 Limited | Long Time Dead | 1,000,000 |
| Zestwick Ltd | Gosford Park | 2,000,000 |

| Producer | Film | £ |
|--|-----------------------------|------------------|
| Short film awards | | |
| APT Film and Television Ltd | Skin Deep | 30,000 |
| Borderland Productions Ltd | Just like my Dad | 26,870 |
| Century Films Ltd | The Tyre | 45,258 |
| Disruptive Element Films Ltd | Landmark | 20,000 |
| Faction Films Ltd & Faction North Ltd | Relativity | 30,000 |
| Fat Pictures Ltd | Taxi! | 11,825 |
| Frames of Reference Films Ltd | Delilah | 21,325 |
| Frigid Films | Eulogy | 2,373 |
| Penultimate Productions | King's Ransom | 27,025 |
| Proboscis Ltd | Mapping Perception | 32,400 |
| Seedfold Films | How Mermaids Breed | 32,341 |
| Spectre Films Ltd | Intolerance | 15,000 |
| Spectre Films Ltd | The Invasion | 34,100 |
| Strange Dog Ltd | Once Seen | 28,157 |
| Sunlight Pictures Ltd | Home Ground | 30,000 |
| Tall Stories Ltd | Maisie's Catch aka Thursday | 41,226 |
| Tigerlily Films Ltd | Lambeth Marsh | 40,000 |
| Velvet Films (formerly known as Frank Films) | Dish | 30,000 |
| Wildcat Films Ltd | Vivid | 26,000 |
| Zephyr Films Ltd | Trick of the Light | 30,000 |
| Total single project hard commitments | | 7,519,838 |

Schedules

continued

Hard commitments to franchise projects

| Company | Film | £ |
|---------------------------|---------------------------------|--------|
| Development awards | | |
| Pathé Pictures Ltd | A Romantic Comedy About Divorce | 38,750 |
| Pathé Pictures Ltd | Agent X | 37,500 |
| Pathé Pictures Ltd | Dead Sexy | 45,000 |
| Pathé Pictures Ltd | Feet Up | 41,750 |
| Pathé Pictures Ltd | Minister of Fun | 47,950 |
| Pathé Pictures Ltd | Ode to Pandora | 34,750 |
| Pathé Pictures Ltd | The Alchemist | 41,750 |
| Pathé Pictures Ltd | The Wedding Gift | 41,750 |
| Pathé Pictures Ltd | Untitled – Simon Beaufoy | 50,000 |
| The Film Consortium Ltd | Blindfold | 15,000 |
| The Film Consortium Ltd | Brian Jones Project | 19,000 |
| The Film Consortium Ltd | Chameleon | 6,000 |
| The Film Consortium Ltd | Child of Air | 11,500 |
| The Film Consortium Ltd | Fattypuffs and Thinifers | 20,000 |
| The Film Consortium Ltd | Haroun and the Sea of Stories | 60,000 |
| The Film Consortium Ltd | Innocence | 19,750 |
| The Film Consortium Ltd | Quiz Night | 13,600 |
| The Film Consortium Ltd | Seven against the West | 34,000 |
| The Film Consortium Ltd | Streets above Us | 10,000 |
| The Film Consortium Ltd | The Rose of Tralee | 8,500 |
| The Film Consortium Ltd | Transgressions | 15,000 |

| Company | Film | £ |
|---|--------------------------------|-------------------|
| Feature film awards | | |
| DNA Films Ltd | The Parole Officer | 2,000,000 |
| Pathé Pictures Ltd | The Abduction Club | 1,500,000 |
| Pathé Pictures Ltd | The Hole | 1,500,000 |
| Pathé Pictures Ltd | The Man who Killed Don Quixote | 2,000,000 |
| Pathé Pictures Ltd | It was an Accident | 99,850 |
| Pathé Pictures Ltd | There's only One Jimmy Grimble | 60,000 |
| The Film Consortium Ltd | 24 Hour Party People | 2,000,000 |
| The Film Consortium Ltd | A Christmas Carol | 1,182,526 |
| The Film Consortium Ltd | Dust | 109,410 |
| The Film Consortium Ltd | Large | 125,000 |
| The Film Consortium Ltd | Room to Rent | 20,000 |
| The Film Consortium Ltd | The 51st State | 2,000,000 |
| Print and advertising awards | | |
| The Film Consortium Ltd | Janice Beard 45 wpm | 200,000 |
| Total franchise hard commitments | | 13,408,336 |
| Total Lottery hard commitments 2000 – 01 | | 20,928,174 |

Report and Lottery Accounts for the year ended 31 March 2001

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Foreword to the accounts for the year ended 31 March 2001

Introduction

The FILM COUNCIL has been established by Government as the strategic body responsible for developing the film industry and film culture in the UK. The FILM COUNCIL has two overarching objectives: to develop a sustainable UK film industry; and to develop film culture in the UK by improving access to, and education about, the moving image.

In July 1998 the Department for Culture, Media and Sport (DCMS) announced its intention to establish the FILM COUNCIL in order to provide strategic leadership for the whole film sector – cultural and industrial – and create coherent policies for addressing market failures, and encourage greater effectiveness and efficiency. The creation of the FILM COUNCIL is a particularly important initiative from both industry and Government viewpoints in that for the first time there is one organisation in the UK responsible for encouraging both cultural and commercial film activity.

The FILM COUNCIL is responsible for all DCMS Grant-in-aid for film (except the National Film & Television School). On 1 April 2000 the FILM COUNCIL assumed responsibility for the Arts Council of England's Lottery Film Department; *bfi* Production; the British Film Commission; British Screen Finance; funding for the British Film Institute and regional production funding.

The FILM COUNCIL has also been designated a Lottery distributor under the National Lotteries Acts 1993 and 1998 and is responsible for Lottery funding for film production. The Arts Council of England continues to have responsibility for Lottery funding for film capital projects, stabilisation funding and other schemes. There are also separate Lottery funding functions in Wales, Scotland and Northern Ireland.

The FILM COUNCIL operates through a Board of Directors, chaired by Alan Parker. The FILM COUNCIL was launched on 2 May 2000. The launch document *Towards a Sustainable UK Film Industry* was the first public statement of the FILM COUNCIL's overall industrial and cultural aims, its objectives and its initial funding programmes.

As part of the FILM COUNCIL, the BFC works to encourage overseas filmmakers to locate their production in the UK. The FILM COUNCIL works closely with the British Council's Film and Television Department on export promotion initiatives and also contributes to the cost of the British Film Office in Los Angeles.

Three new film production funds were set up and launched on 1 October 2000 – the Premiere Fund, New Cinema Fund and Development Fund. A target of 20% of each fund was set for investment in European production to build closer business links with European partners. A market study to inform the development of a strategy

for increasing the export of British films was also initiated.

The FILM COUNCIL also created a Training Fund which will initially expand training opportunities for scriptwriters and producer/filmmakers in partnership with Skillset, the National Training Organisation for the broadcast, film, video and multimedia industry and began work on a new initiative called First Light which will offer children and young people the opportunity to experience filmmaking and explore their talents using low-cost technology.

Work also began on setting up a Research and Statistics Unit to collect, analyse and distribute data about the UK film industry.

Steps have been taken to look at the existing funding mechanisms for film within the nations and regions of the UK. An England-wide programme of consultation seminars was undertaken between April and August 2000 to enable the FILM COUNCIL to understand more fully the difficulties facing the development of film in the English regions. This led to the creation of a new Regional Investment Fund for England (RIFE) through which up to £6 million a year will be available to support cultural and industrial film initiatives in the English regions. The FILM COUNCIL is also working with its UK partner organisations Scottish Screen (for Scotland), Sgrŷn (for Wales) and the Northern Ireland Film Commission, to ensure maximum co-operation and collaboration on all aspects of film policy.

Directors

The 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 FILM COUNCIL is the Board of Directors, which consists of a Chairman, Deputy Chairman and 13 other Directors. All Directors were appointed by the Secretary of State for Culture, Media and Sport on 1 September 1999 and, unless stated below, remained Directors throughout the year.

| |
|---|
| Alan Parker – Chairman |
| Stewart Till – Deputy Chairman |
| Dawn Airey <i>(retired by rotation and reappointed 1 Sept 2000)</i> |
| Chris Auty <i>(retired by rotation and reappointed 1 Sept 2000)</i> |
| Joan Bakewell |
| Tim Bevan |
| Charles Denton* |
| John Hill |
| Duncan Kenworthy <i>(retired by rotation and reappointed 1 Sept 2000)</i> |
| James Lee |
| Colin Leventhal* |
| Sarah Radclyffe |
| Iain Smith* |
| Parminder Vir* |
| Paul Webster <i>(retired by rotation and reappointed 1 Sept 2000)</i> |

There are no Directors' interests requiring disclosure under the Companies Act 1985.

*Directors who have served on the Audit Committee.

Registered and principal office

The registered and principal office is 10 Little Portland Street, London, W1W 7JG. The FILM COUNCIL Ltd is a company registered in England and Wales, Registered number 3815052.

Auditors

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

Internal auditors

Littlejohn Frazer, 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.

Foreword to the accounts

continued

Principal activity and review of the business

The FILM COUNCIL is the Government body responsible for developing the film industry and film culture in the UK 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). Funds from the National Lottery are distributed in accordance with directions issued under the Act by the Secretary of State for Culture, Media and Sport.

The FILM COUNCIL works at arms length from Government and has the status of a Non-Departmental Public Body (NDPB). As such, it is regulated in accordance with Financial Memoranda issued by the Secretary of State. These accounts are for the Lottery Fund and have been prepared in accordance with an Accounts Direction given by the Secretary of State for Culture, Media and Sport. The Accounts Direction is available from the Accounting Officer at 10 Little Portland Street, London W1W 7JG.

The surplus for the period, after taxation, amounted to £59.12 million.

Future developments and events since the balance sheet date

The FILM COUNCIL's Training Fund was launched in April 2001. The fund provides targeted support for scriptwriters, development executives and producer/filmmakers in partnership with Skillset, the National Training Organisation for the moving image industry. In August 2001 the first awards from the First Light initiative, to offer children and young people the opportunity to experience filmmaking, became operational through a delegated funding arrangement with Hi8us FIRST LIGHT, based in Birmingham.

Work on the creation of a new Regional Investment Fund for England (RIFE) culminated in the launch of this £6 million fund in June 2001 part of which is to be funded through the Lottery. The fund will be available to support cultural and industrial film initiatives in the English regions through nine regional film boards created from the transfer of responsibility for film from the Arts Council of England to the FILM COUNCIL.

Employment and training policies and staff participation

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

The 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 FILM COUNCIL's activities are discussed and staff are regularly briefed on the matters discussed at Senior Management Team and Board meetings. Meetings of all staff are held periodically.

The FILM COUNCIL seeks to ensure that the requirements of health and safety legislation are met in the workplace.

Better Payment Practice Code

The 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 24 days and 92% of undisputed invoices were paid within 30 days of receipt into the Finance Department.

The Euro

The activities of the FILM COUNCIL are largely national. However, some exposure to transactions in Euros is anticipated. Financial systems and procedures are being reviewed to ensure that they are capable where necessary of dealing in the new currency. Costs of ensuring compliance in the early stages are not expected to be great.

Statement of Directors' responsibilities in respect of the accounts

Under its legislative framework the FILM COUNCIL is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and to show a true and fair view of the 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 accounts for each financial year which give a true and fair view of the state of affairs of the FILM COUNCIL and of the surplus or deficit of the FILM COUNCIL for that period.

The Directors of the 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 accounts;
- Prepare the accounts on the going concern basis, unless it is inappropriate to presume that the FILM COUNCIL will continue in operation.

Foreword to the accounts

continued

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive Officer as Accounting Officer for the 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.

Statement on the system of internal financial control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the FILM COUNCIL.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal financial control is based on a framework of regular management information; administrative procedures, including the segregation of duties; and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Directors;
- Regular reviews by the Audit Committee of periodic and annual financial reports which indicate financial performance against the forecasts;
- Clearly defined capital investment control guidelines;
- Procedures for the assessment of applications and the management of grants, ensuring that all applications and awards receive sufficient and consistent processing in line with Policy and Financial Directions made by the Secretary of State;
- Procedures for monitoring projects funded by the FILM COUNCIL.

Foreword to the accounts

continued

The FILM COUNCIL has internal auditors who operate to standards defined in the Government Internal Audit Manual. The work of the internal auditors is guided by an analysis of the risk to which the body is exposed and annual internal audit plans are based on this analysis. The analysis of risk and internal audit plans are endorsed by the FILM COUNCIL's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the FILM COUNCIL. The report includes the HIA's independent opinion on the adequacy and effectiveness of the FILM COUNCIL's system of internal financial control.

My review of the effectiveness of the system of internal financial control is guided by the work of the internal auditors; the executive managers within the FILM COUNCIL who have the responsibility for the development and maintenance of the financial control framework; and comments made by the external auditors in their management letter and other reports.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal controls to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by them.



John Woodward
Chief Executive Officer
Date: 29 November 2001

Auditors' report

Film Council Lottery distribution activities

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

I certify that I have audited the financial statements on pages 36 to 43 under the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998). These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 38.

Respective responsibilities of the Directors, Chief Executive Officer and Auditor

As described on page 31 the Board of Directors and the Chief Executive Officer of the FILM COUNCIL are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Board and the Chief Executive Officer are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made by the Secretary of State thereunder, and 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 if, in my opinion, the foreword is not consistent with the financial statements, if the FILM COUNCIL has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit. I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 31 reflects the FILM COUNCIL's compliance with Treasury's guidance *Corporate Governance: Statement on the System of Internal Financial Control*. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my 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, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the FILM COUNCIL and the Chief Executive Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the FILM COUNCIL'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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the FILM COUNCIL's Lottery distribution activities at 31 March 2001 and of the retained surplus for the period, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made there under by the Secretary of State for Culture, Media and Sport; 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
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Date: 7 December 2001

Lottery income and expenditure account for the year ended 31 March 2001

| | Notes | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|--|-------|--------------------------------------|--|
| Income | | | |
| Share of proceeds of Lottery income | | 31,474 | 15,838 |
| Investment returns on the National Lottery Distribution Fund | | 2,580 | 209 |
| Arts Council of England delegation income | 2 | 36,596 | – |
| Arts Council of England portfolio recoupment income | 3 | 4,175 | – |
| Other income | | 9 | – |
| Total income | | 74,834 | 16,047 |
| Expenditure | | | |
| Other operating costs | 4 | (2) | (687) |
| Arts Council of England pre-committed expenditure | | (3,598) | – |
| Costs apportioned from Grant-in-aid | 5 | (4,492) | (260) |
| Restructuring costs | 6 | (450) | – |
| Provisions against film rights | 10 | (7,749) | (1,189) |
| Total expenditure | | (16,291) | (2,136) |
| Operating surplus | | 58,543 | 13,911 |
| Other income and expenditure | | | |
| Bank interest received | | 821 | – |
| Notional cost of capital | 9 | (809) | – |
| Operating surplus after notional costs | | 58,555 | 13,911 |
| Other income and expenditure | | | |
| Reversal of notional cost of capital | | 809 | – |
| Surplus on ordinary activities before taxation | | 59,364 | 13,911 |
| Other income and expenditure | | | |
| Tax on surplus on ordinary activities | 7 | (246) | – |
| Retained surplus for the financial period | | 59,118 | 13,911 |

There have been no recognised gains or losses for the year to 31 March 2001 or for the period to 31 March 2000 other than the surplus as disclosed above.

Lottery balance sheet as at 31 March 2001



John Woodward
Chief Executive Officer
Date: 29 November 2001



Stewart Till
Deputy Chairman
Date: 29 November 2001

Lottery statement of cash flows for the year ended 31 March 2001

| | Notes | 2001 £000s | 2000 £000s |
|---|-------|---------------|---------------|
| Current assets | | | |
| Film rights | 10 | 12,491 | 2,747 |
| Balance at the National Lottery Distribution Fund | 11 | 41,470 | 15,631 |
| Debtors | 12 | 341 | – |
| Cash at bank and in hand | 13 | 23,685 | 16 |
| | | 77,987 | 18,394 |
| Creditors: amounts falling due within one year | | | |
| Commitments to filmmakers | 14 | 3,859 | 2,754 |
| Creditors | 15 | 1,099 | 1,729 |
| | | 4,958 | 4,483 |
| | | 73,029 | 13,911 |
| | | | |
| Net current assets | | 73,029 | 13,911 |
| | | | |
| Total assets less current liabilities | | 73,029 | 13,911 |
| | | | |
| Capital and reserves | | | |
| Lottery reserve brought forward | 19 | 13,911 | – |
| Surplus for the year | 19 | 59,118 | 13,911 |
| | | 73,029 | 13,911 |

| | Notes | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|--|-------|--------------------------------------|--|
| Operating activities | | | |
| Funds received from the National Lottery Distribution Fund | | 7,337 | 216 |
| Transfer of funds from the Arts Council of England | | 36,305 | – |
| Arts Council of England portfolio income | | 4,175 | – |
| Other cash receipts | | 9 | – |
| Overheads payments | | (4,956) | (200) |
| Payment of hard commitments | | (20,003) | – |
| Net cash inflow from operating activities | 18a | 22,867 | 16 |
| Return on investments and servicing of finance | | | |
| Bank interest received | | 802 | – |
| | | | |
| Net cash inflow | 18b | 23,669 | 16 |

Notes to the accounts

Note 1: Accounting policies

a) Basis of accounts

These accounts are prepared under the historical cost convention. The difference between the value of fixed assets and stocks determined on a historical cost basis and on a current cost basis is not material.

The accounts 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.

In accordance with the directions issued by the Secretary of State for Culture, Media and Sport accounts have also been prepared for the FILM COUNCIL group as a whole.

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

b) Accruals convention

Income and expenditure is accounted for on a receivable basis, except for Arts Council of England portfolio recoupment income (see note 1g).

As required by the Secretary of State, a distinction is made in respect of Lottery awards between hard commitments and soft commitments. Where the 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 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 accounts 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, however these are extremely unlikely in the normal course of business. 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 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.

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. However the share of these balances attributable to the FILM COUNCIL is as shown in the accounts 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 FILM COUNCIL in respect of current and future commitments (see note 11). The amount attributable to the FILM COUNCIL has been treated as income within these accounts.

e) Apportioned costs

The FILM COUNCIL incurs costs which are shared between activities funded from Grant-in-aid and activities funded from the National Lottery. The FILM COUNCIL is required to apportion costs in accordance with good accounting practice. 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 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. The amount payable is also recorded as a liability on the balance sheet.

All advances to filmmakers are repayable under certain conditions. Where a feature film made with the assistance of the FILM COUNCIL is successfully released, the 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. Profits are taken to income when payments are received.

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 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.

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 the Arts Council of England is taken directly to the income and expenditure account as these rights are recognised on the FILM COUNCIL balance sheet at zero value. This reflects the Arts Council of 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 FILM COUNCIL.

h) Notional cost of capital

A notional cost of capital charge is shown in the income and expenditure account in accordance with Treasury guidance. The basis of the charge excludes balances at the National Lottery Distribution Fund, film rights and corresponding creditors. The charge is subsequently reversed in the income and expenditure account so a provision is not made in the balance sheet.

i) Deferred tax

Deferred tax is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated that the timing differences will reverse.

j) 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.

k) Leasing commitments

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

Note 2 – Arts Council of England delegation income

The Arts Council of England delegation income arises from a transfer agreement of April 2001 between the FILM COUNCIL and the Arts Council of England, where the FILM COUNCIL acquired ownership of rights in a portfolio of film awards for which no consideration was paid. These rights are reflected on the FILM COUNCIL balance sheet at zero value reflecting the Arts Council of England's accounting policy to write off the value of all advances in the year of the award.

The transfer agreement, also provided for a transfer of Lottery funds to the FILM COUNCIL.

These funds represent the film cash allocation to the Arts Council of England that had not been drawn down from the National Lottery Distribution Fund as at the date of transfer. A proportion of this relates to outstanding liabilities on awards similarly transferred.

This transfer of funds is shown as Arts Council of England delegation income on the income and expenditure account, with a consequent charge to reflect payment during the year of hard commitments transferred. Otherwise liabilities outstanding at the date of transfer were taken to

commitments to filmmakers on the balance sheet.

The cash payment under the transfer agreement was £35.41 million after the deduction of £1.18 million for amounts paid by the Arts Council of England on behalf of the FILM COUNCIL prior to April 2001.

Awards that were still soft commitments at the point of transfer, but have hardened since, are treated in the same manner as changes in such commitments arising from FILM COUNCIL awards.

Note 3 – Arts Council of England portfolio recoupment income

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

In the year ended 31 March 2001, 44 of the transferred titles recouped income.

Titles in receipt of income identifying those over £100,000 in the year ended 31 March 2001:

| | £000s |
|------------------------------------|--------------|
| Beautiful People | 194 |
| Darkest Light | 136 |
| Land Girls | 178 |
| Love's Labours Lost | 703 |
| Mansfield Park | 335 |
| Ordinary Decent Criminal | 478 |
| Shooting Fish | 267 |
| Simon Magus | 102 |
| The Claim | 395 |
| Topsy-Turvy | 307 |
| Whatever happened to Harold Smith? | 475 |
| Titles with income below £100,000 | 605 |
| | 4,175 |

Note 4 – Other operating costs

These costs include:

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|--------------|--------------------------------------|--|
| Bank charges | 2 | – |

Note 5 – Costs apportioned from Grant-in-aid

These costs include:

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|---|--------------------------------------|--|
| Audit costs: National Audit Office | 15 | 18 |
| Capital recharge | 204 | – |
| Staff travel and subsistence – domestic | 16 | – |
| Staff travel and subsistence – foreign | 27 | – |
| Agency fees and freelance staff | 161 | – |
| Hospitality | 14 | – |
| Legal costs | 161 | – |
| Other professional fees | 145 | – |
| Arts Council of England service charge | 108 | – |

Note 6 – Restructuring costs

The FILM COUNCIL was created from the Arts Council of England Lottery Film Department, *bfi* Production, British Screen Film Finance and the British Film Commission.

The restructuring costs from bringing these organisations together, including redundancy payments, were £450,424 (1999 - 2000: nil)

Note 7 – Tax on surplus on ordinary activities

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|-------------------------|--------------------------------------|--|
| Corporation tax payable | 246 | – |

Notes to the accounts

continued

Note 8 – Salary costs

Salary costs of staff working wholly 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 are:

| | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|-----------------------|--------------------------------------|--|
| Wages and salaries | 766,332 | – |
| Social Security costs | 81,111 | – |
| Other pension costs | 28,670 | – |
| | 876,113 | – |

The average number of staff wholly employed on Lottery activities during the year was 19 (1999-00 nil).

those 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 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 triennial valuations using the projected unit method.

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

| | Year ended 31 March 2001 £ | Attributable to Lottery % | Attributable to Lottery £ |
|---------------------------------------|----------------------------------|---------------------------------|---------------------------------|
| John Woodward | | | |
| Salary and benefits | 99,489 | – | 97,499 |
| Bonus | 19,000 | – | 18,620 |
| Total | 118,489 | 98 | 116,116 |
| Pension contribution (from 1/11/1999) | 21,885 | 98 | 21,447 |

The remuneration, pension contributions or pension entitlements for those in the

LPG scheme together with the share attributable to Lottery are shown below. The information in

the table is disclosed in ranges in accordance with DCMS guidance.

| | Year ended 31 March 2001 £000s | Attributable to Lottery contribution % | Attributable to Lottery contribution £000s | Attributable pension £000s | Attributable pension accrued at 65 at 31 March 2001 £000s |
|---|--------------------------------------|---|---|----------------------------------|---|
| Michael Kelly – Head of Finance | 75 – 80 | 100 | 75 – 80 | 0 – 5 (from 1/2/00) | – |
| Ted Ulas – General Manager | 55 – 60 | 72 | 40 – 45 | – | 0 – 2.5 |
| Robert Jones – Head of Premiere Fund (from 22/8/00) | 90 – 95 | 100 | 90 – 95 | – | 0 – 2.5 |
| Paul Trijbits – Head of New Cinema Fund (from 16/9/00) | 65 – 70 | 100 | 65 – 70 | – | 0 – 2.5 |
| Jenny Borgars – Head of Development Fund (from 2/10/00) | 35 – 40 | 100 | 35 – 40 | 0 – 5 | – |
| Carolyn Lambert – Head of Policy (from 1/4/00) | 60 – 65 | 75 | 45 – 50 | – | 0 – 2.5 |
| Jackie O'Sullivan – Head of Business Affairs (from 1/9/00) | 55 – 60 | 100 | 55 – 60 | – | – |

Ted Ulas, Robert Jones, Paul Trijbits and Carolyn Lambert are in the London Government Pension Scheme as operated by the FILM COUNCIL. The pension benefits have accrued as a result of their

period of employment at the FILM COUNCIL and are payable on retirement. The scheme also provides for lump sum payments on retirement of three times final pension.

John Woodward, Michael Kelly, and Jenny Borgars are all members of private pension schemes to which monetary contributions were made during the year.

Directors' remuneration (including daily allowances) attributable to the Lottery fund is:

| | 2001 £ | 2000 £ |
|-----------------|-----------|-----------|
| Joan Bakewell | 3,473 | 525 |
| Colin Leventhal | 3,166 | – |
| Sarah Radclyffe | 3,161 | 788 |
| Parminder Vir | 3,632 | 700 |
| | 13,432 | 2,013 |

Note 9 – Notional cost of capital

Notional cost of capital is calculated at 6% of the average monthly net Lottery assets employed by the FILM COUNCIL in the year, excluding the balances in the National Lottery Distribution Fund, film rights and the matching Lottery award liabilities.

Note 10 – Film rights

| | Gross £000s | Provision £000s | Repayment £000s | Net £000s |
|--|----------------|--------------------|--------------------|--------------|
| Brought forward at 1 April 2000 | 3,936 | (1,189) | – | 2,747 |
| Hard commitments made in the year | 20,928 | (7,749) | (17) | 13,162 |
| Decommitments | (3,418) | – | – | (3,418) |
| Carried forward at 31 March 2001 (see Schedule 1) | 21,446 | (8,938) | (17) | 12,491 |

Note 11 – Investment: balance – at the 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. sheet date, had been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by the FILM COUNCIL in respect of current and future year commitments. The funds are invested on behalf of the National Lottery Distribution Fund by the National Debt Commissioners. The 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). However, the share attributable to the FILM COUNCIL is as shown in the accounts and, at the balance

Note 12 – Debtors: amounts falling due within one year

| | 2001 £000s | 2000 £000s |
|---------------|---------------|---------------|
| VAT debtor | 130 | 0 |
| Other debtors | 211 | 0 |
| | 341 | 0 |

Note 13 – Cash at bank and in hand

As detailed in Note 2, a transfer of Lottery cash was made from the Arts Council of England to the FILM COUNCIL during the year. It was hoped that the transfer could occur between the National Lottery Distribution Fund balances of the two organisations. The FILM COUNCIL would then draw down from this fund according to need and therefore fulfilling Lottery best practice as advised by the Department for Culture, Media and Sport. However the National Lottery Distribution Fund advised that the only means permissible for the transfer was for an actual cash transfer to be made between the Arts Council of England and the FILM COUNCIL. The FILM COUNCIL could not then repay into the Distribution Fund. The FILM COUNCIL and Arts Council of England therefore have complied with this advice. As a result at the year end the FILM COUNCIL holds substantial Lottery funds in its own bank account. The FILM COUNCIL will not draw down funds from the National Lottery Distribution Fund in 2001–02 until these funds are utilised.

Note 14 – Soft and hard commitments to filmmakers

| | 2001 £000s | 2000 £000s |
|--|---------------|---------------|
| Soft commitments brought forward | 2,285 | – |
| Soft commitments transferred from Arts Council of England | 70,710 | 3,779 |
| Soft commitments made | 16,117 | 2,442 |
| Soft commitments transferred back from hard commitments | 5,161 | – |
| Soft decommitments | (8,144) | – |
| Soft commitments transferred to hard commitments | (20,928) | (3,936) |
| Balance of soft commitments outstanding carried forward | 65,201 | 2,285 |
| Hard commitments brought forward | 2,754 | – |
| Hard commitments transferred from Arts Council of England | 11,645 | – |
| Hard commitments made | 20,928 | 3,936 |
| Hard decommitments | (6,304) | (1,182) |
| Hard commitments transferred back to soft commitments | (5,161) | – |
| Hard commitments met in the period to 31 March 2001 | (20,003) | – |
| Balance of hard commitments outstanding carried forward | 3,859 | 2,754 |

Under the transfer agreement between the FILM COUNCIL and the Arts Council of England a portfolio of active awards was transferred to the FILM COUNCIL on 1 April 2000. The transfer of the hard and soft commitments is consistent with the hard and soft status of the awards at the Arts Council of England as at 31 March 2000. Of the £70.71 million of soft commitments transferred, £67.14 million relates to the three franchise awards. The treatment of these soft commitments by the FILM COUNCIL will continue to be that of the Arts Council of England – any element of the total awards made to the franchise holders that has not been allocated to specific projects or where the specific project allocation has not hardened, continues to be shown as soft commitments. Of the £67.14 million, £17.70 million was allocated to specific franchise projects in the year. £5.16 million has been decommitted and transferred from hard commitments back into soft commitments during the year. Hard decommitments contains £0.99 million relating to FILM COUNCIL awards and £5.31 million relating to awards transferred from the Arts Council of England.

Notes to the accounts continued

Note 14 – Soft and hard commitments to filmmakers (continued)

| Ageing of hard commitments | 2001 £000s | 2000 £000s |
|-------------------------------|---------------|---------------|
| 2000-01 | – | 2,754 |
| 2001-02 | 3,859 | – |
| Total hard commitments | 3,859 | 2,754 |

It is expected that all outstanding hard commitments as at 31 March 2001 will be fully paid by 31 March 2002.

Note 15 – Creditors – amounts falling due within one year

| | 2001 £000s | 2000 £000s |
|--------------------------|---------------|---------------|
| Corporation tax | 246 | – |
| Due to Grant-in-aid fund | 851 | 287 |
| Other creditors | 2 | 1,367 |
| Accruals | – | 75 |
| | 1,099 | 1,729 |

Note 16 – Leases

At 31 March 2001 the Lottery fund had no commitments under non-cancellable operating leases.

The FILM COUNCIL had annual commitments under a non-cancellable operating lease as set out below:

| | Land and buildings £000s |
|--|-----------------------------|
| Operating lease which expires in over five years | 315 |

A proportion of this was charged to the Lottery fund under Note 1e

Note 17 – Capital commitments

At 31 March 2001 the Lottery fund had no contracted commitments.

Note 18 – Notes to the statement of cashflows

| a) Reconciliation of operating surplus to net cashflow from operating activities | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|--|--------------------------------------|--|
| Operating surplus | 58,543 | 13,911 |
| Increases in film rights | (9,744) | (2,747) |
| Increase in debtors and prepayments | (26,161) | (15,631) |
| Increase in creditors | 229 | 4,483 |
| Net cash inflow from operating activities | 22,867 | 16 |

| b) Reconciliation of net cash flow to movements in funds | Year ended 31 March 2001 £000s | 9 months ended 31 March 2000 £000s |
|--|--------------------------------------|--|
| Increase in cash | 23,669 | 16 |
| Funds as at 1 April 2000 | 16 | – |
| Funds as at 31 March 2001 | 23,685 | 16 |

| c) Analysis of cash | 1 April 2000 £000s | Cashflow £000s | 31 March 2001 £000s |
|--------------------------|-----------------------|-------------------|------------------------|
| Cash at bank and in hand | 16 | 23,669 | 23,685 |

Note 19 – Movement in Lottery fund reserve

| | £000s |
|---|---------------|
| Opening Lottery fund reserve at 1 April 2000 | 13,911 |
| Transferred from the income and expenditure account | 59,118 |
| Lottery fund reserve as at 31 March 2001 | 73,029 |

Note 20 – Related parties

The FILM COUNCIL maintains a publicly available register of Board members' interests. Board members declare any direct interest in award applications made to the FILM COUNCIL and commercial

relationships with the FILM COUNCIL. They exclude themselves from the relevant application appraisal, discussion and decision process within the FILM COUNCIL.

The following related party transactions occurred during the period:

| Organisation | Name | Relationship | Awards |
|---|-------------------------------|---------------------|---------------|
| The Film Consortium/ Sales Company | John Christopher Auty | Director | 6,107,760 |
| FilmFour (in co-production with or holding UK TV licence for Feelgood Films/Century Films/Pipedream Pictures/Spectre Films/Velvet Films/WOW Productions/Trijbits Productions Ltd) | Paul Webster | Director | 4,468,072 |
| Pathé Pictures Ltd | Sarah Radclyffe | Director | 7,596,050 |
| DNA Films Ltd | Duncan Kenworthy James Lee | Director | 4,000,000 |
| WT2 Ltd | Tim Bevan | Director | 1,000,000 |
| Jonescompany (Productions) Ltd | Robert Jones | Employee | 1,000,000 |
| Trijbits Productions Ltd (in co-production with WOW Productions Ltd) | Paul Trijbits | Employee | 359,989 |
| Picture Palace North (Large) Ltd (in co-production with The Film Consortium) | Alex Usbourne | Employee | 125,000 |

The awards to companies where Paul Trijbits and Alex Usborne had an interest were made prior to their joining the FILM COUNCIL and both films, *My Brother Tom* and *Large*

respectively, were in production prior to their joining. The award to Jonescompany (Productions) Ltd was not taken up.

Schedules

Lottery Schedule 1: Film rights at 31 March 2001

| Producer | Film | Gross award | Provision 1 April 2000 | 2000-01 provision | 2000-01 repaid | 2000-01 decommitments | Net value at 31 March 2001 |
|---|------------------------------------|-------------|---------------------------|----------------------|-------------------|--------------------------|----------------------------------|
| Single project hard commitments in 2000-2001 | | | | | | | |
| Feature film awards | | | | | | | |
| Company Pictures Ltd | Morvern Callar | 500,000 | – | 150,000 | – | – | 350,000 |
| Dragon Pictures Ltd | Very Annie Mary aka Untitled Wales | 50,000 | – | 40,000 | – | – | 10,000 |
| Footprint Films Ltd | Wanted | 319,149 | – | 100,000 | – | – | 219,149 |
| Mariner Films Ltd | Pandaemonium | 63,152 | – | 50,522 | – | 4 | 12,626 |
| Martin Pope Productions Ltd | The Lawless Heart | 200,000 | – | – | – | – | 200,000 |
| Mass Productions Ltd | Cassandra at the Wedding | 1,000,000 | – | 10,000 | – | 990,000 | – |
| Pipedream Pictures Ltd | Crush aka A Certain Age | 875,000 | – | 150,000 | – | – | 725,000 |
| Tall Stories Ltd | This Filthy Earth | 598,648 | – | 500,000 | – | – | 98,648 |
| WOW Productions & Trijbits Productions Ltd | My Brother Tom | 359,989 | – | 342,962 | 17,027 | – | – |
| WT2 Ltd | Long Time Dead | 1,000,000 | – | 700,000 | – | – | 300,000 |
| Zestwick Ltd | Gosford Park | 2,000,000 | – | – | – | – | 2,000,000 |
| Short film awards | | | | | | | |
| APT Film And Television Ltd | Skin Deep | 30,000 | – | 30,000 | – | – | – |
| Borderland Productions Ltd | Just like my Dad | 26,870 | – | 26,870 | – | – | – |
| Century Films Ltd | The Tyre | 45,258 | – | 45,258 | – | – | – |
| Disruptive Element Films Ltd | Landmark | 20,000 | – | 20,000 | – | – | – |
| Faction Films Ltd & Faction North Ltd | Relativity | 30,000 | – | 30,000 | – | – | – |
| Fat Pictures Ltd | Taxi! | 11,825 | – | 11,825 | – | – | – |
| Frames of Reference Films Ltd | Delilah | 21,325 | – | 21,325 | – | – | – |
| Frigid Films Ltd | Eulogy | 2,373 | – | 2,373 | – | – | – |
| Penultimate Productions | King's Ransom | 27,025 | – | 27,025 | – | – | – |
| Proboscis Ltd | Mapping Perception | 32,400 | – | 32,400 | – | – | – |
| Seedfold Films | How Mermaids Breed | 32,341 | – | 32,341 | – | – | – |
| Spectre Films Ltd | Intolerance | 15,000 | – | 15,000 | – | – | – |
| Spectre Films Ltd | The Invasion | 34,100 | – | 34,100 | – | – | – |
| Strange Dog Ltd | Once Seen | 28,157 | – | 28,157 | – | – | – |
| Sunlight Pictures Ltd | Home Ground | 30,000 | – | 30,000 | – | – | – |

Lottery Schedule 1 (continued)

| Producer | Film | Gross award | Provision 1 April 2000 | 2000-01 provision | 2000-01 repaid | 2000-01 decommitments | Net value at 31 March 2001 |
|--|-----------------------------|-------------|---------------------------|----------------------|-------------------|--------------------------|----------------------------------|
| Short film awards (continued) | | | | | | | |
| Tall Stories Ltd | Maisie's Catch aka Thursday | 41,226 | - | 41,226 | - | - | - |
| Tigerlily Films Ltd | Lambeth Marsh | 40,000 | - | 39,000 | - | - | 1,000 |
| Velvet Films (formerly known as Frank Films) | Dish | 30,000 | - | 30,000 | - | - | - |
| Wildcat Films Ltd | Vivid | 26,000 | - | 26,000 | - | - | - |
| Zephyr Films Ltd | Trick of the Light | 30,000 | - | 30,000 | - | - | - |

Franchise hard commitments made in 2000-2001
Development awards

| | | | | | | | |
|-------------------------|---------------------------------|--------|---|--------|---|--------|---|
| Pathé Pictures Ltd | A Romantic Comedy About Divorce | 38,750 | - | 38,750 | - | - | - |
| Pathé Pictures Ltd | Agent X | 37,500 | - | 37,500 | - | - | - |
| Pathé Pictures Ltd | Dead Sexy | 45,000 | - | 45,000 | - | - | - |
| Pathé Pictures Ltd | Feet Up | 41,750 | - | 41,750 | - | - | - |
| Pathé Pictures Ltd | Minister of Fun | 47,950 | - | 47,950 | - | - | - |
| Pathé Pictures Ltd | Ode to Pandora | 34,750 | - | 22,000 | - | 12,750 | - |
| Pathé Pictures Ltd | The Alchemist | 41,750 | - | 41,750 | - | - | - |
| Pathé Pictures Ltd | The Wedding Gift | 41,750 | - | 41,750 | - | - | - |
| Pathé Pictures Ltd | Untitled – Simon Beaufoy | 50,000 | - | 50,000 | - | - | - |
| The Film Consortium Ltd | Blindfold | 15,000 | - | 15,000 | - | - | - |
| The Film Consortium Ltd | Brian Jones Project | 19,000 | - | 19,000 | - | - | - |
| The Film Consortium Ltd | Chameleon | 6,000 | - | 6,000 | - | - | - |
| The Film Consortium Ltd | Child of Air | 11,500 | - | 11,500 | - | - | - |
| The Film Consortium Ltd | Fattypuffs and Thinifers | 20,000 | - | 20,000 | - | - | - |
| The Film Consortium Ltd | Haroun and the Sea of Stories | 60,000 | - | 60,000 | - | - | - |
| The Film Consortium Ltd | Innocence | 19,750 | - | 19,750 | - | - | - |
| The Film Consortium Ltd | Quiz Night | 13,600 | - | 13,600 | - | - | - |
| The Film Consortium Ltd | Seven against the West | 34,000 | - | 34,000 | - | - | - |
| The Film Consortium Ltd | Streets above Us | 10,000 | - | 10,000 | - | - | - |
| The Film Consortium Ltd | The Rose of Tralee | 8,500 | - | 8,500 | - | - | - |
| The Film Consortium Ltd | Transgressions | 15,000 | - | 15,000 | - | - | - |

Schedules continued

Lottery Schedule 1 continued

| Producer | Film | Gross award | Provision 1 April 2000 | 2000-01 provision | 2000-01 repaid | 2000-01 decommitments | Net Value at 31 March 2001 |
|---|--------------------------------|-------------------|---------------------------|----------------------|-------------------|--------------------------|----------------------------------|
| Feature film awards | | | | | | | |
| DNA Films Ltd | The Parole Officer | 2,000,000 | – | – | – | – | 2,000,000 |
| Pathé Pictures Ltd | The Abduction Club | 1,500,000 | – | 600,000 | – | 300,000 | 600,000 |
| Pathé Pictures Ltd | The Hole | 1,500,000 | – | 1,000,000 | – | – | 500,000 |
| Pathé Pictures Ltd | The Man who Killed Don Quixote | 2,000,000 | – | – | – | 2,000,000 | – |
| Pathé Pictures Ltd | It was an Accident | 99,850 | – | 99,850 | – | – | – |
| Pathé Pictures Ltd | There's only One Jimmy Grimble | 60,000 | – | 60,000 | – | – | – |
| The Film Consortium Ltd | 24 Hour Party People | 2,000,000 | – | 1,300,000 | – | – | 700,000 |
| The Film Consortium Ltd | A Christmas Carol | 1,182,526 | – | 475,000 | – | – | 707,526 |
| The Film Consortium Ltd | Dust | 109,410 | – | 109,410 | – | – | – |
| The Film Consortium Ltd | Large | 125,000 | – | 125,000 | – | – | – |
| The Film Consortium Ltd | Room to Rent | 20,000 | – | – | – | – | 20,000 |
| The Film Consortium Ltd | The 51st State | 2,000,000 | – | 700,000 | – | – | 1,300,000 |
| Print and advertising awards | | | | | | | |
| The Film Consortium Ltd | Janice Beard 45 wpm | 200,000 | – | 85,000 | – | 115,000 | – |
| Total hard commitments made in 2000 – 2001 | | 20,928,174 | – | 7,749,444 | 17,027 | 3,417,754 | 9,743,949 |
| Film rights brought forward from 1999 - 2000 | | | | | | | |
| Feature film awards | | | | | | | |
| Jonescompany (Productions) Ltd | Simon Magus | 21,730 | 20,000 | – | – | – | 1,730 |
| Pathé Pictures Ltd | It was an Accident | 75,251 | 73,000 | – | – | – | 2,251 |
| The Film Consortium Ltd | Dust | 1,950,000 | 80,000 | – | – | – | 1,870,000 |
| The Film Consortium Ltd | Gabriel and Me | 1,200,000 | 570,000 | – | – | – | 630,000 |
| The Film Consortium Ltd | Large | 510,000 | 267,000 | – | – | – | 243,000 |
| Development and short films | various | 179,197 | 179,197 | – | – | – | – |
| Film rights at 1 April 2000 | | 3,936,178 | 1,189,197 | – | – | – | 2,746,981 |
| Film rights at 31 March 2001 | | 24,864,352 | 1,189,197 | 7,749,444 | 17,027 | 3,417,754 | 12,490,930 |

Lottery awards made in year ending 31 March 2001

Awards to non-franchisees disclosed as soft commitments

| Producer | Film | £ |
|--|---------------------------------|-------------------|
| Ancient Mariner Productions | The City | 100,000 |
| APT Film and Television Ltd | Skin Deep | 30,000 |
| Bard Entertainment Ltd | Revengers Tragedy | 500,000 |
| Cargo Film Ltd | Dustbaby | 27,615 |
| Century Films Ltd | The Tyre | 45,258 |
| Company of Wolves Ltd | The Actors | 850,000 |
| Company Pictures Ltd | Morvern Callar | 500,000 |
| Disruptive Element Films Ltd | Landmark | 20,000 |
| Entertainment Film Distributors Ltd | Mike Bassett: England Manager | 250,000 |
| Faction Films Ltd & Faction North Ltd | Relativity | 30,000 |
| Fat Melon Films Ltd | The Hangman's Apprentice | 3,000 |
| Fat Pictures Ltd | Taxi! | 11,825 |
| Feelgood Fiction Ltd | Carbon Miranda | 849,315 |
| Footprint Films Ltd | This is not a Love Song | 8,383 |
| Fragile Films Ltd | The Importance of Being Earnest | 1,244,697 |
| Frames of Reference Films Ltd | Delilah | 21,325 |
| Gabriel Films Ltd | Blood Relative | 5,500 |
| Granada Films Ltd (Pippa Cross) | Bloody Sunday | 250,000 |
| Hallmark Entertainment Ltd | Mike Bassett: England Manager | 1,200,000 |
| Haystack Productions | Drunken Monkey | 21,850 |
| Hot Property Ltd | Dogfight | 839,501 |
| Jonescompany (Productions) Ltd | Dirty Pretty Things | 1,000,000 |
| Martin Pope Productions Ltd | The Lawless Heart | 200,000 |
| Mustard Films Ltd | Shadow Man | 20,000 |
| Penultimate Productions | King's Ransom | 27,025 |
| Philip John & Sian Hughes | Ultramaroon | 4,000 |
| Pipedream Pictures Ltd | Crush aka A Certain Age | 875,000 |
| Proboscis Ltd | Mapping Perception | 32,400 |
| Roc Media Ltd (in assoc. with Umbi Films) | Bend it like Beckham | 945,043 |
| Scala (Boswell) Ltd | Boswell for the Defence | 1,371,484 |
| Seedfold Films | How Mermaids Breed | 32,341 |
| Spectre Films Ltd | The Invasion | 34,100 |
| Starfield Productions Ltd | Anita & Me | 600,000 |
| Strange Dog Ltd | Once Seen | 33,173 |
| The Illuminated Film Company Ltd | War Game | 400,000 |
| This is not a Company Ltd | This is not a Love Song | 194,214 |
| Treasure Films Ltd | Ape | 150,000 |
| Velvet Films (formerly known as Frank Films) | Dish | 30,000 |
| WOW Productions Ltd & Trijbits Productions Ltd | My Brother Tom | 359,989 |
| WT2 Ltd (Working Title) | Long Time Dead | 1,000,000 |
| Zestwick Ltd | Gosford Park | 2,000,000 |
| Total single project awards | | 16,117,038 |

Awards to franchise projects disclosed as soft commitments

| Company | Film | £ |
|--|---------------------------------|-------------------|
| DNA Films Ltd | The Parole Officer | 2,000,000 |
| DNA Films Ltd | *The Boy who Dealt It | 2,000,000 |
| Pathé Pictures Ltd | A Romantic Comedy about Divorce | 38,750 |
| Pathé Pictures Ltd | Agent X | 37,500 |
| Pathé Pictures Ltd | Dead Sexy | 45,000 |
| Pathé Pictures Ltd | Feet Up | 41,750 |
| Pathé Pictures Ltd | It was an Accident | 99,850 |
| Pathé Pictures Ltd | Minister of Fun | 47,950 |
| Pathé Pictures Ltd | Ode to Pandora | 34,750 |
| Pathé Pictures Ltd | The Abduction Club | 1,500,000 |
| Pathé Pictures Ltd | The Alchemist | 41,750 |
| Pathé Pictures Ltd | The Hole | 1,500,000 |
| Pathé Pictures Ltd | The Man who Killed Don Quixote | 2,000,000 |
| Pathé Pictures Ltd | The Mighty Walzer | 57,000 |
| Pathé Pictures Ltd | The Wedding Gift | 41,750 |
| Pathé Pictures Ltd | There's only One Jimmy Grimble | 60,000 |
| Pathé Pictures Ltd | *Thunderpants | 2,000,000 |
| Pathé Pictures Ltd | Untitled - Simon Beaufoy | 50,000 |
| The Film Consortium Ltd | Chameleon | 6,000 |
| The Film Consortium Ltd | The Rose of Tralee | 8,500 |
| The Film Consortium Ltd | 24 Hour Party People | 2,020,000 |
| The Film Consortium Ltd | Blindfold | 15,000 |
| The Film Consortium Ltd | Brian Jones Project | 19,000 |
| The Film Consortium Ltd | Bronte | 8,500 |
| The Film Consortium Ltd | Child of Air | 11,500 |
| The Film Consortium Ltd | Dr Sleep | 1,390,000 |
| The Film Consortium Ltd | Dust | 109,410 |
| The Film Consortium Ltd | Fattypuffs and Thinifers | 20,000 |
| The Film Consortium Ltd | Haroun and the Sea of Stories | 60,000 |
| The Film Consortium Ltd | Innocence | 19,750 |
| The Film Consortium Ltd | Janice Beard 45 wpm | 200,000 |
| The Film Consortium Ltd | Large | 125,000 |
| The Film Consortium Ltd | Quiz Night | 13,600 |
| The Film Consortium Ltd | Room to Rent | 20,000 |
| The Film Consortium Ltd | Seven against the West | 34,000 |
| The Film Consortium Ltd | Streets above Us | 10,000 |
| The Film Consortium Ltd | The 51st State | 2,000,000 |
| The Film Consortium Ltd | Transgressions | 15,000 |
| The Film Consortium Ltd | Ugly Streakers | 2,500 |
| Total franchise awards | | 17,703,810 |
| Total Lottery awards 1 April 2000 – 31 March 2001 | | 33,820,848 |

* DNA Films Ltd did not take up the award and the re-titled film was then subject to an award through Pathé Pictures Ltd

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