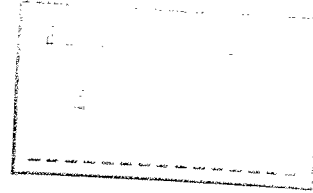


Your Ref: AG2/027622.00001

23 April 2007

Messrs Howard Kennedy
19 Cavendish Square
London
W1A 2AW



Dear Sirs

RE: PUBLIC FUNDING SCHEMES AS AT 31 DECEMBER 2005

Thank you for your letter dated 10 April 2007 addressed to John Woodward requesting information under the Freedom of Information Act 2000. Your letter has been passed to me for response.

In response to your requests for information (using the numbering set out in your letter):

1. The UK Film Council's funding schemes that are dedicated to the pre-production, post-production, marketing, distribution and promotion of independent film or audio-visual works and which were in operation during the calendar year 2005 were as follows:

- (a) The Development Fund;
- (b) The New Cinema Fund; and
- (c) The Premiere Fund.

The guidelines for these three funding schemes are contained in the document headed "How to Apply for UK Film Council Production and Development Funding" (the current version of these guidelines is available on our website and the version that was in place during 2005 is enclosed for your information).

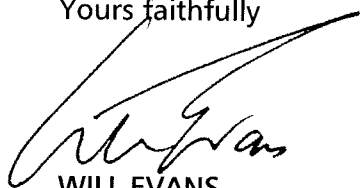
- (d) The P&A Support Fund (aka The P&A Fund) (the current guidelines are on our website and the version available during 2005 is enclosed).

The UK Film Council was operating other funding schemes during 2005 but these related to education or exhibition initiatives e.g. Digital Screen Network and we have not enclosed these as it appears that these schemes fall outside of the request.

2. The UK Film Council funding schemes do not impose any such obligations relating to minimum regional spend, etc., from the production budget.

3. Not applicable.
4. The criteria used to select projects for the Funding Schemes are contained in the enclosed guidelines. For the three feature film related funds see the "What Happens Next" section in the guidelines for each fund. Please note that the criteria have been clarified in the current version of the guidelines (please see our website). For the P&A Fund see the sections headed Stage 1 Assessment Process and Stage 2 Assessment Process.
5. Not applicable.
6. The Funding Schemes are not, as such, implemented in connection with official international treaty co-productions. Please note the sections on Eligibility for the three film funds which state that the UK Film Council can provide funding to films which are wholly or substantially capable of qualifying as 'British' films either under the Films Act 1985; the European Convention on Co-Production; or under any of the UK bi-lateral co-production treaties.
7. The aims of each of the four funds mentioned in paragraph 1 are set out at the beginning of the relevant sections of each of the guidelines. For further information on the UK Film Council's aims please see the Publications, Reports and Policy Documents section on our website.
8. Each of the Funding Schemes referred to in paragraph 1 above are funded through the National Lottery.
9. As stated in paragraph 6 above projects in receipt of funding from any of the three feature film schemes are required to be wholly or substantially capable of qualifying as 'British films' under any of the three categories referred to in paragraph 6 above. The kind of films eligible for funding under the P&A Fund are set out in the guidelines for that Fund.

Yours faithfully



WILL EVANS
Head of Business Affairs

cc John Woodward/Chief Executive Officer

HOW TO APPLY FOR UK FILM COUNCIL PRODUCTION AND DEVELOPMENT FUNDING

**UK FILM COUNCIL GUIDELINES
JANUARY 2005**

UK FILM | COUNCIL

INDEX

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SECTION B:	THE DEVELOPMENT FUND
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SECTION A - HOW TO APPLY FOR FILM DEVELOPMENT AND PRODUCTION FUNDING

These guidelines provide details on the UK Film Council's three funds which support film production, and explain the UK Film Council's eligibility criteria and assessment process. The first issue is to decide which fund, if any, is appropriate for your film project.

General

You may only apply to one of the Premiere or New Cinema Funds with any one of your film projects at a time. After receiving your application, we may recommend that you apply to the other fund, or to the Development Fund, if we believe it is more appropriate for your project. We can arrange to do this on your behalf with your agreement.

There is no automatic right to public funding. Decisions as to the creative merits of an application are entirely within the discretion of the Head of each fund.

In making awards for development and production funding using public money, the UK Film Council will, on the whole, adopt the industry practice of providing funding in the form of investment pursuant to the terms of a development or production finance agreement.

Please check your Application Form carefully: the UK Film Council will not process applications which are incomplete or which do not comply with these guidelines. Original materials are sent at your own risk and UK Film Council will not be responsible for any damage to or loss of such materials. The UK Film Council reserves the right to recover any monies advanced on the basis of materially misleading statements whether made deliberately or accidentally.

Please note that the proposed schedule for processing and assessing applications as set out in each section of the guidelines may vary from time to time depending on the nature and complexity of each project.

Legislation: Each of the UK Film Council's funds are funded by the National Lottery and the UK Film Council acts in accordance with guidance provided by the Department for Culture Media and Sport as detailed in its Policy and Financial Directions, copies of which may be obtained on request.

Appeals: The UK Film Council invests in film projects which it considers will help ensure a consistent flow of high quality, diverse and challenging UK films. Applications will be judged, and may be turned down on creative merit or on other subjective grounds, such as the project's ability to fulfil the fund's remit, **against which there is no appeal**. The most common reason for not selecting a project is that the creative quality of the script is not strong enough to merit support from the fund in the opinion of the relevant Head of fund who may act on the advice of his/her staff.

The UK Film Council has however established procedures for considering appeals on the grounds of alleged errors in procedures. Such appeals should be submitted within one month of the date of the response provided to the applicant in accordance with the UK Film Council's Complaint and Appeals Procedure which may be obtained on request from the UK Film Council.

These guidelines as published in April 2004 supersede any and all previous UK Film Council development and production guidelines. Please call the UK Film Council helpline on 020 7861 7924 if further guidance is required.

SECTION B - THE DEVELOPMENT FUND

The **Development Fund** aims to broaden the quality, range and ambition of UK film projects and talent being developed. More specifically, the aim is to raise the quality of screenplays to be produced in or from the UK through targeted development initiatives. Over time, the fund aims to build creatively focused relationships, with a breadth of talent, from 'first-timers' to experienced practitioners. The fund also endeavours to help UK film companies to grow sustainable businesses.

The UK Film Council's Development Fund provides support for:

- **'Single development projects'** - this is divided into "Seed Funding", "Partnered Development Funding" and "Pre-pre production Funding" details of which are set out below;
- **'Slate funding'** deals with companies which have successfully responded to open tenders for business and creative proposals. Further details can be obtained from the UK Film Council's Communications Department; and
- **'25 Words or Less'** – the Development Fund offers up to 12 writers each year a fixed sum of £10,000 to develop a first draft script in a specific genre. 25 Words or Less is run three times a year and at each entry point different genres are selected. Further details on '25 Words or Less', including the calls for applications can be obtained from the UK Film Council Information Line. Separate terms and conditions (from those set out below) apply to '25 Words or Less'.

The annual budget for the Development Fund is £4 million. Funding decisions are taken by the Head of the Development Fund, Jenny Borgars.

DEVELOPMENT FUND: SINGLE DEVELOPMENT PROJECTS

Who can apply?

(Eligibility)

You can apply if you are:

- A company which is registered and centrally-managed and staffed in the UK; or
- A company which registered and centrally managed and staffed in another state of the European Union/European Economic Area; or
- An individual aged 18 years or over and a national or resident of the United Kingdom (or another state of the European Union/European Economic Area) for funding of £10,000 or less. If you wish to apply for a sum higher than £10,000 you may apply as an individual but, if we choose to support your project, we may need you to set up a company before we make a formal offer of funding.

Your project must be capable of being developed as a feature length theatrical film (we do not provide development funding for short films, or programmes, series or serials intended primarily for television) and should be intended for production in the English language unless there are relevant circumstances to the contrary. Submissions are encouraged for projects intended to reach the broadest range of cinema audiences both in and outside the UK.

All applicants for funding from the Development Fund must be able to demonstrate that the provision of such funding will provide a measurable advantage to the UK film industry. In this

regard the Development Fund will only fund development projects which if produced will be wholly or substantially capable of qualifying as British films (as defined in the Films Act 1985 as amended).

In order to determine whether a development project may be wholly or substantially capable of qualifying as a 'British' film and therefore eligible to apply to the Development Fund, we will look at the following main elements:

- a) Writer is a UK national or resident.
- b) Director is a UK national or resident.
- c) Location of story is UK-based.
- d) Key characters are British.

We would expect a project to have at least two elements from a)-d) above attached to it of which at least one **must** be from a) or b).

Subject to the requirements for partnership funding (see "**What can you apply for?**" below), the UK Film Council will accept projects at all stages of development from treatment stage onwards. A treatment should be approximately 10 pages in length, detailing clearly and concisely the narrative from start to finish, characters, genre, tone and world of the story. A treatment should demonstrate a real sense of what it would be like to see the work on the screen.

If your development project is to be based on an already published work (such as a novel), you should send the original work to us with your application. Please note however that such an application will only be processed if you can provide us with documentary evidence to show you have already acquired an option over the underlying published work or that such an option is readily available. We do not accept applications solely represented by an unpublished work unless you have a written commitment that the work will be published from a recognised book publisher.

The Development Fund cannot fund development projects alongside any of the National Lottery franchise companies – DNA Films Limited, The Film Consortium Limited or Pathé Pictures Limited (for the duration of their respective franchises). If your project is in receipt of National Lottery funding from other sources such as a regional screen agency the UK Film Council may accept your application at its discretion.

The decision as to whether a project is eligible will be at the UK Film Council's sole discretion.

What can you apply for?

Development funding is available for:

"Seed funding" –seed funding is for projects at a very early stage of development such as treatment or first draft stage or for options over published works. The purpose of this funding is to shape development projects in order to make them more attractive in the market place. Development funding for up to the full cash costs of developing the project will be offered for a maximum of two stages in development (a stage is usually considered to be one draft and revisions). You will nevertheless be required to provide **partnership funding** which may be by way of an 'in-kind' contribution. In this section the Development Fund will consider funding the following costs:

- Writer(s) fees;
- Research fees;

- A contribution towards overhead costs of the producer;
- Payments to acquire and option rights to adapt works for the screen;
- Producer fees;
- Producer's reasonable legal costs;
- Script editors;
- Executive producer/mentor;
- A 'package' to present to potential partners; and
- Training courses to aid project development.

"Partnered development" – where you are requesting funding for the full development process or where your project has already been developed beyond first draft stage, Development funding will only be available where you have a commitment of **partnership funding** of a minimum of 25% of the 'hard' costs of the development budget being those costs related to the activities set out below as bullet points. For these purposes the level of producer fees, overheads and legal fees will be capped according to Development Fund rates, as amended from time to time. Such partnership funding can be from your own resources or from third party sources. In this section the Development Fund will consider funding the following costs:

- Writer(s) fees;
- Research fees;
- A contribution towards overhead costs of the producer;
- Payments to acquire and option rights to adapt works for the screen;
- Producer fees;
- Producer's reasonable legal costs;
- Script readings with cast;
- Script editors;
- Executive producer/mentor;
- Other specific requirements, eg special effects/story-boarding;
- A 'package' to present to potential partners;
- Preparation of Production Budget;
- Preparation of Production Schedule;
- Director's development fee/script work;
- Casting; and
- Training courses to aid project development.

Please note that you can apply for 'Partnered development' funding if you have already received 'Seed funding' from the Development Fund and have now brought a finance partner to the project; or you may bring a new project under this category to the Development Fund provided in both cases that you have a minimum of 25% of the budgeted costs. The Development Fund welcomes projects which have a third party financier or other partner attached to them.

Please also note that if you are successful in your application and an offer of funding is made the Development Fund will still require a right of 'cut-off' after each step or stage of development.

"Pre-pre-production" – the Development Fund will consider, at its discretion requests for pre-pre-production funding provided that you can provide documentary evidence of interest from potential investors in the production of the film. You will be required to provide an element of **partnership funding** of approximately 50% of the pre-pre-production costs. In this section the Development Fund will consider funding the following costs:

- Writer fees for polish only;
- Location survey/'Recce';
- Casting;
- Preparation of Production Budget; and
- Preparation of Production Schedule.

The UK Film Council reserves the right to fund other legitimate development costs at its discretion. Funding will normally be provided by the UK Film Council by way of investment.

How to apply?

Once you have read through these guidelines you need to make your application. All requests for funding from the Development Fund must be accompanied by a completed Development Fund Application Form which is available on request or on the website at www.ukfilmcouncil.org.uk/funding/features/developmentfund/applicationform.

What to send with your application?

You must include the following with your application:

- The **Development Fund – Additional Information Form** which accompanies the **Application Form** and is used by the UK Film Council for monitoring purposes;
- A short **synopsis** of your film project (one page in length);
- Your **script** (in the UK Film Council preferred format a copy of which is available on request or on the website at www.ukfilmcouncil.org.uk/funding/features/samplescript) or **treatment** (unbound or stapled but not bound) AND/OR a **copy of the Underlying Work(s)** (eg novel, play, short story) and **your notes for adaptation**;
- A **draft development budget or statement of expected costs on the finance and budget summary** which accompanies the Application Form (with respect to Partnered Development and Pre-pre-production funding only: it is not mandatory to submit a development budget for Seed Funding at this stage). This should be based on industry norms and market rates. Please note that we may request additional information in order to justify particular development costs; and
- Details of key creative(s) ie writer (and director and/or producer if applicable) (including CVs);

You may also wish to include (only if available):

- Directors reel;
- Other materials, eg sample writing, VHS/DVD copies of other work by team members, directors notes or notes towards the next draft of the script).

Once completed and signed the Development Fund Application Form should be sent to the UK Film Council marked for the attention of the Development Fund. Materials are sent at your risk and we suggest that you avoid submitting original supporting materials. Applications can be sent by courier or by post.

Please note that the Development Fund reserves the right to request and review any other relevant supporting material before making a funding decision.

What happens next?

Your application will be acknowledged within two weeks of receipt. We will inform you as soon as possible if your application is not eligible.

Projects referred by the Premiere Fund or New Cinema Fund

If the New Cinema Fund or Premiere Fund have expressed an interest in your project but have determined that your project requires further development, that fund will, with your agreement, recommend that an application be made to the Development Fund for funding. In such cases, the funding decision will be made in the Development Fund by the Head of Development.

Your application will be assessed initially and primarily on its creative merit.

You will be informed within eight weeks of receipt of your application by UK Film Council of either our interest in your project or that your application is being turned down on creative grounds.

- For the avoidance of doubt please note the selection process is inevitably subjective and the decision taken by the Development Fund is final. There is no appeal process open to applicants whose projects have been rejected on creative grounds.
- Please also note that the Development Fund does not itself operate as a script advice or assessment service and will not provide feedback on the creative merits of projects that it chooses not to support. However, if your project has been submitted in full **script** form we may offer you the opportunity to have your project reviewed by a feedback service.
- The UK Film Council is required to retain the application and the script (or treatment as applicable) for audit purposes. Other supporting materials can be returned on receipt of a stamped self addressed envelope.

If the Development Fund is interested in your project you may be invited in to discuss it further in which case supporting documentation including a development budget may be required.

The Development Fund may then, in conjunction with the UK Film Council's Business Affairs and Production Finance Department, review the development budget for the project and other elements provided by you. The UK Film Council may take into account the following criteria using its knowledge and understanding of the film market in continuing to assess your application:

- The commercial and financial viability of the project;
- The cost of development compared to its assessment of the likely production budget; and
- The cost of development compared to industry norms and market rates and your track record in film production including your conversion rate and the commercial and critical success of your films (if any).

We may reject your application at this stage and will inform you of this decision in writing. Alternatively we may suggest a reduction in the overall size or certain elements of the development budget.

Resubmission: The UK Film Council is not obliged to provide feedback on unsuccessful applications. It will only accept resubmissions for funding if there have been significant and substantial changes to the script, or if major new elements have been attached or secured. Any resubmissions should be accompanied by a new Application Form, all supporting material originally submitted, should show

clearly the alterations made and should be accompanied by a full explanation of those changes. Resubmission will not be accepted without such an explanation.

Offer of funding

Offer Letter: We will write to you to let you know if your application has been successful and the amount of funding to be offered by the UK Film Council. We may, at our discretion, offer to commit to fund all stages of the development of your project, subject to UK Film Council approvals and right of 'cut-off' at each relevant stage of development. Alternatively we may limit our funding to one or more stages of development.

Development funding will be advanced after all of the following:

- Counter-signature by you of the Offer Letter;
- Approval by the UK Film Council of all relevant documentation including the Chain of Title;
- Execution of a Development Agreement (see below);
- Delivery to UK Film Council of bank mandate or bank 'no set-off' letter (as applicable); and
- Satisfaction of the conditions precedent to the Development Agreement.

The UK Film Council may at its discretion agree to advance development funding prior to satisfaction of the above.

The development funding will be advanced in accordance with the cashflow schedule contained in the Development Agreement. Funding will normally be advanced in stages with the UK Film Council having the right of 'cut-off' after each stage.

Development process

The Development Fund offers support throughout the development process and will review your progress at pre-agreed stages helping to decide whether further work is required or whether the script is ready to be submitted to potential financiers for production finance.

The Development Fund may require further work to be carried out; or may recommend (but not stipulate) that the project be submitted to one of the UK Film Council's production funds (Premiere or New Cinema) for consideration; or may notify you that the UK Film Council will not be investing further in the project.

Development Agreement – Conditions of funding

The following contract terms for the Development Fund are intended as a guide only. The terms and conditions attached to each investment will inevitably differ according to specific arrangements with all relevant co-financiers, key creative partners and the nature of the project. These contract terms will apply whether you have applied to us in the capacity of an individual (as writer, director or producer of your project) or as a company. The UK Film Council will also make adjustments to these terms from time to time as industry practice evolves. You are advised to obtain independent legal advice before signing the Development Agreement. The standard contract terms are as follows:

Chain of title/sequels, etc: You must establish clear title to all works in development as a pre-condition to the development funding. The UK Film Council expects producers to acquire where possible sequel, remake, spin-off rights and all ancillary rights and expects to participate in revenues from the exploitation of all rights.

Banking: Trust account - Where the Development Fund provides development funding in excess of £10,000 it will require all such funds to be paid into a separate, dedicated trust account. Completion of a trust account mandate is a pre-condition to the UK Film Council advancing funds.

Banking: Bank "No Set-off" letter - Where the Development Fund provides development funding of £10,000 or less, the UK Film Council will require a separate bank account which will be subject to a 'no set-off letter' before the UK Film Council will advance funds.

Industrial relations: We expect, where appropriate, that the relevant industrial relations agreements are in place for each project requiring funding.

Approvals: The UK Film Council will take approval rights over each stage of development including the budget, engagement of all writers, options, directors and their agreements, all other development agreements, the creative partners involved and their agreements, and all other proposed development partners or financiers.

Recoupment: Development funding will normally be repaid to the UK Film Council on the first day of principal photography of any production based on the development work together with a 50% premium (unless otherwise agreed). We may consider waiving this premium where the budget of the production is less than £1 million; or reducing this premium where the UK Film Council has invested in the project at a significantly advanced stage of development or where the budget of the production is between £1 million and £3.5 million.

Profit share: The UK Film Council will require a profit participation (of up to 5% of producer's share of net profits) in respect of its development funding in projects which go into production. We will consider sharing this participation pro rata with other third party development financiers approved by the UK Film Council. We may also agree to accept a reduced profit participation (according to a sliding scale) in the event that the total UK Film Council investment in a project is below £20,000.

Copyright ownership: We will require you to assign a share of all rights including copyright in the development work to the UK Film Council as security for its investment. Where there are no third party investors, the UK Film Council will take a 50% share of such interest, with 50% to be retained by you. Where there are third party investors approved by the UK Film Council, we will consider sharing our share of copyright with such third party investor pro rata to the level of our respective investments (but the UK Film Council share will not be less than 25%) and we will also aim to secure a share of copyright for you. As set out above, the UK Film Council will require recoupment of its development funding (plus premium) on the first day of principal photography, at which time the UK Film Council will assign its share of the copyright and other rights back you (or your assignees).

Reversion: Five years from the date of the Development Agreement (or earlier if agreed) all rights to the project will automatically revert to you if the UK Film Council has declined to invest any further in the project, on the condition that the UK Film Council is repaid all of its development investment, together with the relevant premium on the first day of principal photography, and is paid a 5% share (or a reduced percentage commensurate with the level of UK Film Council investment) of the producer's share of net profits from the film, television or other production based on the project in the event that the project is subsequently produced. The UK Film Council will also require a credit as set out below.

Turnaround/early buy-out: Prior to the expiry of this five year (or earlier) term, if the UK Film Council has declined in writing to invest further in the development of the project, the producer may apply

to acquire the UK Film Council's interest in the project. This will be for a total sum of the UK Film Council's development funding and the relevant premium payable no later than on the first day of principal photography together with a 5% share of the producer's share of the net profits from the film, television or other production based on the project. Pending repayment of the UK Film Council's investment and premium, the UK Film Council may take appropriate security. The UK Film Council will also require a credit as set out below.

Credit: The UK Film Council will require a contractual end credit on a separate card in the following form: "Made with the support of the National Lottery through the UK Film Council's Development Fund" followed by the UK Film Council's Lottery brand visual on all feature films enabled by development funding from the UK Film Council and a credit on the cover of all scripts in the form "Developed with the assistance of the National Lottery through the UK Film Council".

Delivery: All development material must be delivered by the specified delivery dates in the Development Agreement.

No assignment: You may not assign, license or otherwise transfer any rights to the works in development in which the UK Film Council has made an investment without the prior written approval of the UK Film Council.

SECTION C: THE NEW CINEMA FUND

The New Cinema Fund encourages unique ideas, innovative approaches and new voices. The fund intends to contribute to the financing of films with passion and verve that connect with a broad range of audiences.

With £15 million to invest over three years, the New Cinema Fund is committed to innovative and original material from a diverse range of filmmakers. In its first three years it has funded 30 feature films from Oscar-winning documentary makers including Kevin Macdonald (*Touching the Void*) and John Dower (*Live Forever*) and first-time fiction directors including Francesca Joseph (*Tomorrow La Scala*), Amma Asante (*A Way of Life*). The New Cinema Fund embraced new digital production techniques and formats - for example working with Billie Eltringham and Simon Beaufoy (*This is Not a Love Song*). New Cinema Fund projects have achieved critical success on the festival circuit - Paul Greengrass' film *Bloody Sunday* won the Golden Bear at the Berlin International Film Festival and the World Audience Award at Sundance. Peter Mullan's *The Magdalene Sisters* won the Golden Lion at the Venice International Film Festival. *Touching the Void* won Best British Film at BAFTA 2004.

The New Cinema Fund also invests in an ambitious programme of short schemes including Cinema Extreme, The Completion Fund and Low Budget Digital Shorts in order to encourage directors, producers and creative talent to explore new storytelling methods and modern uses of cinema in the short film genre.

The New Cinema Fund supports:

- Feature film production (see below);
- The making of 'pilots' to illustrate a project's potential for feature film production (see below); and
- Short filmmaking through its various shorts scheme (for details of Short Film funding please go to www.ukfilmcouncil.org.uk/shorts). Please note that **the New Cinema Fund does not accept applications under these guidelines for individual short films.**

The annual budget for the New Cinema Fund is £5 million. Funding decisions are taken by the Head of the New Cinema Fund, Paul Trijbits.

NEW CINEMA FUND: FEATURE FILM FUNDING

Who can apply? (Eligibility)

You can apply if you are:

- A company which is registered and centrally-managed in the UK; or
- A company which is registered and centrally-managed in another state of the European Union or European Economic Area; or
- An individual aged 18 years and over and a national or resident of the UK (or another state of the European Union or European Economic Area). In this case if your application is successful you will be required to incorporate a limited liability company before any offer of funding is made.

Your project must be intended for theatrical release and:

- In the form of a screenplay. In the case of a documentary feature film we will accept a detailed treatment. If you are applying for post-production/completion support (see paragraph 2.3 below) we will also require a DVD or VHS of a rough cut/assembly; and
- Intended for production in the English language unless there are relevant circumstances to the contrary; and
- Capable of obtaining theatrical and video release certificates no more restrictive than BBFC '18' in the UK and MPAA 'R' in North America; and
- Wholly or substantially capable of qualifying as a British film.

Accordingly, your project should be capable of qualifying for certification by the Department for Culture, Media and Sport (DCMS). The film should fulfil the criteria set out under Schedule 1 of the Films Act 1985 (as amended). Co-productions made under the terms of one of the UK's bilateral film co-production agreements, or under the European Convention on Cinematographic Co-production may be considered as British for the purposes of Schedule 1 of the Films Act 1985, and therefore eligible for UK Film Council funding. Further details on certification are available on the DCMS website www.culture.gov.uk/creative_industries/film/CriteriaforBritishfilms.htm.

Can you apply for funding if you are not UK-based? Please note you will need to ensure that a UK-based co-producer is attached to your project. If you are based in another state of the European Union or European Economic Area you can apply in your name and subsequently attach a UK co-producer. If you are not based on the European Union or European Economic Area an application can only be made by your UK co-producer. In both instances the UK Film Council will make its offer of funding direct to the UK co-producer and may require the non-UK based producers to sign the Production Finance Agreement. You may wish to refer to the Directory of UK Co-producers at www.ukfilmcouncil.org.uk/international for information about UK co-producers.

What the New Cinema Fund is looking for:

In order to determine whether an application can fulfill the New Cinema Fund's remit, you should be able to demonstrate one or more of the following:

- diversity, innovation, new and 'cutting edge' filmmaking talent;
- a strong commitment to supporting work from across the UK and from black, Asian and other minority ethnic groups;
- utilisation of the benefits offered by digital technology in the making and showing of films;
- that you have secured, or are in the advanced stages of securing, the services of a director and the principal cast of the film; and
- that you have secured, or that the project in our opinion has the potential to secure, a UK theatrical release or a high profile digital release with a distributor or web/broadcaster acceptable to the New Cinema Fund.

You will need to demonstrate a convincing vision for the project in terms of creative direction, financing structure, distribution and marketing. You will also need to demonstrate an ability to be instrumental to the realisation of such a vision. Projects that cannot demonstrate the above are unlikely to obtain funding from the New Cinema Fund.

For the avoidance of doubt, neither the New Cinema Fund, the Premiere Fund, or one of the National Lottery franchise companies – DNA Films Limited, The Film Consortium Limited, Pathé Pictures Limited (for the duration of their respective franchises) - can fund the same project.

What can you apply for?

Feature films: The New Cinema Fund will usually contribute between 15% and 50% of a feature film's production budget. Funding will usually be provided by way of an equity investment in the film.

Pilots: If you have applied for feature film funding from either the Premiere Fund or the New Cinema Fund, or (more exceptionally) made an application for funding to the Development Fund, The New Cinema Fund (in conjunction with the Heads of the Premiere Fund or the Development Fund, if applicable) may at its absolute discretion and instigation support the making of a 'pilot' to assess further the potential of your project for production or development funding by the UK Film Council and may invite you to make an application for a pilot. Without such an indication from the New Cinema Fund please note that you cannot apply directly for 'pilot' funding. If the New Cinema Fund chooses to invite you to submit an application for a pilot pursuant to the above, it will fund customary direct production costs (excluding 'above-the-line' costs) of up to £10,000 for a pilot film. Pilot film funding will usually take the form of equity investment repayable to the UK Film Council upon commencement of principal photography of a feature film based upon, or connected to, the pilot film.

Post-production/completion funding: The New Cinema Fund will accept applications for feature film projects which have begun the production process but which require completion through post-production funding. Producers can apply at any stage of the production or post-production process, but you should be aware that applications for print and advertising costs only are not eligible. The New Cinema Fund Application Form should be completed (as above) but should also be accompanied by a VHS or DVD of a rough-cut/assembly of the film, a budget for completion, details of how the project has been funded to date, and letter(s) of interest from UK distributors. If the film is still being shot, the New Cinema Fund's assessment process will be aided by a selection of footage and the shooting script, if available. The New Cinema Fund may make an offer of funding for completion of the film, may turn the project down or may, at its discretion, make an interim award of funding to examine the viability of the film and may then use the results of that interim award to determine whether to proceed with any further award.

How to apply?

Once you have read through these guidelines you need to make your application. All requests for funding from the New Cinema Fund must be accompanied by a completed New Cinema Fund Application Form which is available on request or on the website at www.ukfilmcouncil.org.uk/funding/features/newcinemafund/application form.

What to send with your application?

You **must** include with your Application Form:

- The **New Cinema Fund – Additional Information Form** which accompanies the **Application Form** and is used by the UK Film Council for monitoring purposes;
- A **Short Synopsis** of your film project (maximum of 100 words); and

- Two copies of your **script** (with the draft number and date clearly marked on the front page, page numbered throughout and in the industry standard format, a copy of which is available on request or on the website at www.ukfilmcouncil.org.uk/funding/features/samplescript): one copy must be unbound, the other can be stapled.

You may also wish to include (as applicable):

- Proposed production budget;
- cashflow schedule;
- Finance summary;
- Sales agent's estimates;
- Details of your production company;
- Details of creative elements already involved;
- Director's creative comments;
- Shooting schedule;
- Outline of proposed recoupment structure;
- DVD or VHS of scenes already shot or of examples of the Director's work.

The Production Budget

Please note that you do not have to submit a production budget with your initial application. However, if the New Cinema Fund is interested in your project creatively (see **What happens next** below) we will require a production budget before we can progress your application further. The New Cinema Fund will expect a production budget to be based on industry norms and market rates and, where applicable, to take into account the economic benefits of digital production. The level of production budget should reflect the level of recoupment that the project can reasonably expect to deliver. When you submit your production budget (either at application stage or later at the request of the New Cinema Fund) it **must** contain provision for the following costs and expenses:

- Clearances of all rights in the film worldwide in all media in perpetuity (except for those sums due in respect of music performing rights);
- An independent guarantee of completion (completion bond);
- All customary production insurances (including errors and omissions) on which the UK Film Council will require to be named as an additional insured;
- A mandatory contribution to the Skills Investment Fund;
- All the delivery items set out in **Delivery Requirements** below including, amongst others, the access materials relating to exhibition to people with sensory impairments.

Once completed and signed the New Cinema Fund Application Form and supporting materials should be sent to the UK Film Council marked for the attention of the New Cinema Fund. Materials are sent at your risk and we suggest that you avoid submitting original supporting materials. Applications can be sent by courier or by post.

Please note that the New Cinema Fund reserves the right to request and review any other relevant supporting material before making a funding decision.

What happens next?

Your application will be acknowledged within two weeks of receipt. We will inform you as soon as possible, if your application is not eligible.

Your project will be assessed initially on its creative merit and its ability to fulfil the New Cinema Fund's remit.

You will be informed within eight weeks of receipt by the UK Film Council of your application of either our interest in your project or that your application is being rejected on creative grounds. Please note that this selection process is inevitably subjective and our decision is final. There is no appeal process open to applicants whose projects have been rejected on creative grounds. The UK Film Council is required to retain the Application Form and a copy of the script (or treatment/DVD/VHS as applicable) for audit purposes. Other supporting materials can be returned to you on receipt by us of a written request. Alternatively your project may be referred as follows:

- If the New Cinema Fund is interested in your project but believes that it requires further development, it can, with your agreement, recommend that an application be made to the Development Fund for funding. In such cases, the decision to provide such development funding will be made by the Head of the Development Fund;
- If the New Cinema Fund believes that your project is unsuitable for its support but merits consideration by the Premiere Fund, the New Cinema Fund may refer your application to that fund with your prior approval;
- Alternatively it may offer funding towards the production of a 'pilot' film in order to assess further the merits of the project.

You may be invited to discuss your project further and supporting documentation may be requested. Such supporting documentation is likely to include:

- Proposed production budget;
- Cashflow schedule;
- Finance summary;
- Sales agent's estimates;
- Details of your production company;
- Details of creative elements already involved;
- Director's creative comments;
- Shooting schedule;
- Outline of proposed recoupment structure.

The New Cinema Fund will then liaise with the Business Affairs and Production Finance departments of the UK Film Council to assess your project. We may reject your application at this stage and will inform you of this decision in writing. Again, please note that this selection process is inevitably subjective and our decision is final. There is no appeal process open to applicants whose projects have been rejected on this basis. The UK Film Council is not obliged to provide feedback on unsuccessful applications.

Re-submission: The UK Film Council will only accept resubmissions for funding if there have been significant and substantial changes to the script, or if major new elements have been attached or secured. Any resubmissions should be accompanied by a new New Cinema Fund Application Form, should show clearly the alterations made and should be accompanied by a full explanation of those changes. **Resubmissions will not be accepted without such an explanation.**

Offer of funding

Offer Letter: We will write to you to let you know if your application has been successful, the amount of funding to be offered by the UK Film Council and the outline terms and conditions relating to such funding. The UK Film Council offer of funding will be for a fixed period and for a fixed amount and conditional upon you entering into a Production Finance Agreement. Once the Offer Letter is returned signed and any conditions specific to the Offer Letter have been satisfied (eg other financing elements have been secured in principle) the UK Film Council will prepare the Production Finance Agreement.

If both the producer and director on a project are 'first-timers', ie without previous feature film production experience, the UK Film Council reserves the right to ensure that the film is realised under the guidance of an experienced executive producer or production company with the relevant costs to be included in the production budget.

At this stage if you have applied to the New Cinema Fund as an individual you will be required to set up or to act through an existing production company. If you have applied as a company you may wish to set up a single purpose company solely for the purposes of producing the film project, in which case you must inform UK Film Council of your intention in writing.

Production Finance Agreement: Conditions of New Cinema Fund finance

The UK Film Council uses standard form Production Finance Agreements. These documents are adjusted to the specific requirements of each project. The UK Film Council will not begin to cashflow a project until the Production Finance Agreement has been executed, all other financial commitments and distribution commitments are in place and the conditions to funding set out in the agreement have been satisfied.

Please note that you should obtain independent legal advice before signing the Production Finance Agreement.

The following parameters are intended as a guide only and are specific to the New Cinema Fund. The terms and conditions attached to each investment will inevitably differ according to specific arrangements with all the relevant financing partners and distributors. The UK Film Council will make adjustments to these parameters from time to time as customary industry practices evolve:

Skills Investment Fund levy: The UK Film Council is committed to building the skills and talent of individuals entering and already working in the film industry. The Skills Investment Fund levy is a key component in helping to deliver a comprehensive training strategy for the UK film industry. A contribution to the Skills Investment Fund of 0.5% of the production budget up to a maximum contribution of £39,500 is mandatory. The UK Film Council will also expect the production budget to contain provision for any appropriate trade association fees.

Training and education: The UK Film Council supports ways of trying to improve the profile of the industry's workforce so that it becomes more inclusive of the diversity of contemporary UK society. In this regard, you will be required to comply with obligations relating to interns and trainees as requested by UK Film Council. Key personnel shall be obliged to pass on knowledge and skills in a training/education capacity to less experienced writers, directors, actors, producers etc.

Access for people with sensory impairments: the UK Film Council is committed to enabling all sectors of the community to participate in and enjoy film but for many disabled people opportunities to appreciate and enjoy the medium are limited. You will therefore be required to

ensure, as a minimum, that any agreement for the distribution of the film in the UK provides for distribution of a sub-titled film print in UK cinemas and the inclusion of a subtitled track (for the hearing-impaired) and an audio-description track (for the visually-impaired) on any UK DVD release of the Film.

Underlying rights (chain of title): You must establish clear rights to all works required for the making and exploitation of the project. The UK Film Council expects production companies to acquire (where possible) sequel, remake, spin-off rights, and all ancillary rights and the UK Film Council expects to participate in revenues from the exploitation of all rights.

Cashflow: The UK Film Council's cashflow will not commence until all third party funding documentation has been executed to the satisfaction of the UK Film Council. We will expect all financiers to cashflow pro rata and pari passu with the UK Film Council.

We will advance funds in accordance with a cashflow schedule agreed by the UK Film Council. The UK Film Council will make a retention of up to 10% of its investment for delivery of physical delivery items and delivery of the final audited cost report certified by an independent auditor (in any event the retention will not be less than 2.5%).

Net Profit share: The UK Film Council will require a net profit share commensurate with its participation in the production funding in relation to other equity investors.

Recoupment: The UK Film Council will require to be offered recoupment terms on a pro rata pari passu basis with those offered to other equity investors and where a sales agent or distributor is recouping a sales advance, UK Film Council may expect to receive a corridor of revenues against such sales agent or distributor.

Producer's revenue entitlement: The UK Film Council actively seeks to reward organisations and individuals who intend to use UK Film Council investment to assist in the development of a sustainable UK film industry. The UK Film Council will aim to maximise the production company's share of revenues from the film. The UK production company will be entitled to receive an amount equal to 5% from 'first dollar' of the money recouped by the UK Film Council (excluding net profits) against its investment in the film provided that you spend this money only on the following uses: staff skills training; project development production funding; company business planning; film marketing; or raising capital for your company's business initiatives or such other uses as are approved in advance by UK Film Council. Please note that this 5% corridor cannot be assigned by you to any other person or company and cannot be offered as a recoupment corridor to another financier of your project.

Copyright ownership: The UK Film Council will take a share of copyright in the film, and all other rights including the underlying and ancillary rights, commensurate with its investment in relation to other equity investors. Once the New Cinema Fund's investment has been recouped, the UK Film Council's share of ownership of rights and copyright may be assigned to the UK production company.

Security: The UK Film Council will take a fixed and floating charge over the company incorporated for the purposes of owning and producing the film, its rights, interests and revenue entitlement in relation to the film as security for its investment until the UK Film Council's investment has been repaid in full. The UK Film Council may also take a charge over any co-producer of the film, if appropriate.

Approvals and documentation: The UK Film Council will have a right of approval over the following:

- The script including all drafts, final shooting script, shot lists and story boards;
- Production company(ies), co-producer(s), individual producer(s) and executive producer(s), line producer, director, writer(s), principal cast and crew including all heads of department, unit publicist, production accountant, post-production supervisor, composer, music supervisor, and the terms of their contracts including fees;
- Budget, cashflow and production schedules;
- Identity of all other co-financiers and the business terms for the remaining finance for the film, and financing costs;
- Sales agent and terms of deal memo and sales agency agreement including the right to approve marketing materials;
- Distributor(s) and terms of deal memo and distribution agreements including P&A commitments;
- Broadcaster(s) and terms of licence agreement including level of licence fee, term and number of transmissions;
- Soundtrack album agreement (if applicable);
- Underlying rights – copyright position on underlying rights, options, development work, script rights and music rights (if applicable) together with comprehensive chain of title documentation;
- Collection agent and terms of collection agreement;
- Completion guarantor and terms of completion guarantee;
- Auditor;
- Delivery date;
- Running time;
- Film certificate;
- Screen aspect ratio;
- Processing laboratory/facilities house;
- Details of production account including signatories and bank mandate;
- Details of production insurance (including errors and omissions) on which the UK Film Council will require to be named as an additional insured;
- Credits; and
- Final cut (together with full consultation rights on the assembly and all cuts of the film);

and such other approvals as the UK Film Council may require from time to time.

Completion Guarantee and insurance: As mentioned above, the production budget should contain a provision for an independent guarantee of completion, the terms of which will be subject to UK Film Council approval. The completion guarantee must be operative before the UK Film Council will advance funds. The UK Film Council will require approval over the identity of the completion guarantor.

The UK Film Council expects producers to effect all usual production insurances (including errors and omissions) on which the UK Film Council must be named as an additional insured before the UK Film Council will advance funds.

Credit: The UK Film Council will require a contractual front screen credit on a separate card in the following form:

- UK Film Council animated logo
- "The **UK Film Council** [and] **present**" on a single card;
- An end credit in the form: "**Made with the support of the National Lottery through the UK Film Council's New Cinema Fund**" followed by the UK Film Council's Lottery brand visual;
- A main title Executive Producer credit for the UK Film Council in a form to be advised.

The UK Film Council presentation credit and logo shall also appear in the billing block for the film and in all paid advertising for the film throughout the world (subject to customary exclusions).

Any other front and end credits granted will be negotiated in good faith between the parties. The UK Film Council will have the right to approve all credits.

Collection arrangements: All revenues for the film shall be collected by an independent collection agent to be approved by UK Film Council. The National Film Trustee Company Limited is the UK Film Council preferred collection agent. Where alternative arrangements are approved by the UK Film Council for collection, the account established must be a trust account. The recoupment structure, which will form part of the Collection Agreement, must be approved and signed by all the financiers prior to any cashflow by the UK Film Council.

Any irrevocable payment instructions issued by the sales agent to sub-distributors must cite and direct payment of any minimum guarantees to the account of the collection agent.

Distributors and sales agents: As stated above, the UK Film Council will require approval rights over the appointment of all distributors, all distribution agreements, sub-distribution deal memos and long form contracts and principal deal terms. The UK Film Council will have approval rights over the appointment of all sales agents and their obligations and contractual arrangements in respect of the film (including commissions and expenses).

The UK Film Council may require contractually capped sales expenses and minimum sales estimates. No disposal of rights in any territory or media will be made below the agreed minimum terms without the prior approval of the UK Film Council.

Broadcasters/webcasters: Broadcasters and webcasters are key potential co-financiers of New Cinema Fund projects but the UK Film Council will require demonstrably equitable licence fees and terms to be obtained for all UK broadcast rights.

Where a UK broadcaster is also providing equity funding, or is also the UK or international distributor of the film, UK TV rights must be valued at a fair and reasonable rate.

Film classification: The film must be capable of obtaining theatrical and video release certificates no more restrictive than BBFC '18' in the UK and MPAA 'R' in North America.

Interest, fees, and overheads: The UK Film Council will not normally agree to contribute funding to a production budget which includes interest, premium or overhead fees charged by other financiers or investors other than bank interest where gap financing is in place or where sales are being discounted. Where, exceptionally, interest or overhead fees are charged by a co-financier, the UK Film Council will expect to receive interest or overhead fees (as applicable) on a pro rata pari passu basis (using all reasonable endeavours to ensure that all such payments are not drawn from the budget but are recouped out of film revenues).

The level of overheads and producers' fees within a production budget will be a matter for reasonable negotiation and mutual agreement between producers and financiers taking into account the actual role of the individuals and companies involved.

The UK Film Council does not encourage the use of deferred fees unless they are warranted and clearly justifiable in particular circumstances.

Residuals: The UK Film Council expects producers to include in their budgets sufficient funds to clear worldwide rights in all media from all individuals or organisations who may be contributing to the production. Under no circumstances will the UK Film Council assume the responsibility for, or guarantee payments to talent or for residuals, repeat fees or royalties.

Underspend: Producers are encouraged to deliver on budget and the UK Film Council will agree to producer participation in underspend on their films of up to 50%.

Sale and leaseback: The UK Film Council will accept conventional sale and leaseback arrangements provided that:

- Transaction costs and expenses (including defeasance bank guarantee fees, legal and audit fees) are capped at reasonable amounts;
- The net lease benefit is in line with market rates;
- Any external legal fees incurred by the UK Film Council in lifting and re-imposing its security interest in connection with a sale and leaseback shall be reimbursed to UK Film Council directly from the net lease benefit; and
- If the financial benefits are not cashflowed into the production, the production company's participation in the net lease benefit will be a maximum 20% and if the investors have not recouped their investment, the UK Film Council will look for the balance of the benefit to be paid to the UK investors pro rata to their investment in the film.

Trust account: Where the UK Film Council provides production funding, it will require all funds to be paid into a separate dedicated trust account. Completion of a trust account bank mandate will be a pre-condition to the UK Film Council advancing funds.

Production information

The information required during production of the film (as reflected in the Production Finance Agreement) will include:

Daily during production:

- Copies of all rushes available on video or DVD (or access to viewing of dailies if not available on tape) sent to the New Cinema Fund's Project Co-ordinator; and
- Progress reports and call sheets, by e-mail (or fax) to the UK Film Council Head of Physical Production.

Weekly until a fortnight after completion of principal photography and each month thereafter (to the UK Film Council's Production Accountant):

- Cost statements with narrative and showing movement since last report;
- Statements of finance and expenditure (funding reconciliation);
- Bank reconciliations and the copy bank statement reconciled to the trial balance;

- Such other financial information as required from time to time; and
- Statement of creditors and debtors.

As issued/available to each of the Head of Physical Production and the NCF Project Co-ordinator:

- Copies/access to cut scenes and assemblies;
- Crew and cast lists;
- Script changes; and
- Schedule changes.

A UK Film Council representative will be entitled to attend all stages of pre-production including meetings, script read-throughs, make up tests, production and post-production including access to the sound mix, ADR sessions, music recording, grading and telecine and relevant screenings.

Delivery requirements

The UK Film Council will require delivery of the following items the cost of which must be contained in the production budget:

Film and video elements

- A 35mm showprint (delivery print) from the original negative. If the final version of the film is not produced on 35mm negative then the UK Film Council will, in lieu of such 35mm showprint, accept a best available PAL digital master, (ie Hi Def if available) for the British Film Institute for deposit at its National Film and Television Archive;
- An additional best available clone PAL digital master (ie Hi Def if available); and
- Four PAL VHS or DVD copies (including two for the British Film Institute for deposit at its National Film and Television Archive).

Disability access materials

- Original translation of the dialogue and soundtrack of the film on a computerised file or CD Rom (for use for captioning/subtitling purposes for the hearing impaired);
- One 35mm release print of the film (or digital equivalent if applicable) incorporating 'burnt in' subtitles in English for the hearing impaired. The UK Film Council agrees to make this print available on loan to the UK distributor of the film for exhibition by the distributor in the UK; and
- Audio description track (for the visually impaired) on DA98 master tape.

Publicity materials

- Four copies of the film poster;
- 10 colour stills (transparencies) and 10 black and white stills;
- Electronic press kit (including interviews with actors and other persons connected with the film); and
- Written publicity pack – including biographies (cast, producers, directors, writers and key crew), production information, interviews with actors and other persons connected with the Film, feature stories and news releases.

Documents

- Shooting script signed by director and leading cast (for deposit at the British Film Institute);
- Evidence of payment to the Skills Investment Fund;
- List of trainees and interns engaged on the film including names, positions and where sourced;

- An audited statement of final costs from a registered auditor or equivalent in a form approved by UK Film Council;
- British Film Certificate (if applicable);
- Copies of UK and international marketing plans (and for US if different to international); and
- A fully completed Film Completion Monitoring Questionnaire in the format attached to the Production Finance Agreement;

and such other materials as the UK Film Council may reasonably require from time to time.

SECTION D: THE PREMIERE FUND

The Premiere Fund plays a meaningful creative and business role, from the development of projects through to marketing and distribution, in the production of feature films that can attract audiences the world over.

The Premiere Fund aims to combine the flexibility, vision, dynamism and entrepreneurial spirit that is traditionally associated with the private sector of the industry by investing in popular commercially-viable feature films. Equally, a key objective of the Premiere Fund is to facilitate, through specific film investments, a greater breadth of experience and expertise across the UK film industry, and in that way to play a key role in assisting the development of sustainable UK film businesses capable of long-term growth.

The Premiere Fund is looking for projects that can find cinema audiences in the UK and around the world across the full range of budgets and genres. It is particularly committed to finding talent-driven projects from European producers. In the first three years the fund has invested in a number of films including: David McKenzie's *Young Adam*, which won the Edinburgh International Film Festival's Michael Powell Award in 2003, Robert Altman's Oscar and BAFTA award winning *Gosford Park*, Steve Barron's *Mike Bassett: England Manager*, Patrice Leconte's *L'Homme Du Train* and Michael Winterbottom's *Code 46*, Mike Leigh's *Vera Drake*, John Hillcoat's *The Proposition* written by Nick Cave, Christopher Smith's *Creep*, Charles Dance's *Ladies In Lavender*, John Stephenson's *Five Children & It* and Michael Radford's *Merchant Of Venice*.

The annual budget for the Premiere Fund is £8 million. Funding decisions are taken by the Head of the Premiere Fund, Robert Jones.

PREMIERE FUND: FEATURE FILM PROJECTS

Who can apply?

(Eligibility)

You can apply if you are:

- A company which is registered and centrally-managed in the UK; or
- A company which is registered and centrally-managed in another state of the European Union or European Economic Area (please note paragraph 1.2 below).

Your project must be:

- In the form of a script to produce a feature film intended for exhibition theatrically and for commercial exploitation in the UK and the rest of the world; and
- Intended for production in the English language unless there are relevant circumstances to the contrary; and
- Identifiable as a commercially viable project. You should therefore be capable of securing worldwide distribution or representation at international markets through a reputable sales agent for the film with a guaranteed meaningful theatrical release in the UK or, in exceptional circumstances, clearly demonstrate a commercially viable post delivery theatrical distribution strategy (unless you are making an application for an early commitment of investment); and
- Capable of obtaining theatrical and video release certificates no more restrictive than BBFC '18' in the UK and MPAA 'R' in North America; and

- Wholly or substantially capable of qualifying as a British film.

Accordingly, your project should be capable of qualifying for certification by the Department for Culture, Media & Sport (DCMS). The film should fulfil the criteria set out under Schedule 1 of the Films Act 1985 (as amended). Co-productions made under the terms of one of the UK's bilateral film co-production agreements, or under the European Convention on Cinematographic Co-production may be considered as British for the purposes of Schedule 1 of the Films Act 1985, and thereby eligible for UK Film Council funding. Further details on certification are available on the DCMS website www.culture.gov.uk/creative_industries/film/CriteriaforBritishfilms.htm.

Can you apply for funding if you are not UK-based? Please note that you will need to ensure that a UK-based co-producer is attached to your project. If you are based in another state of the European Union or European Economic Area you can apply in your name and subsequently attach a UK co-producer. If you are not based in the European Union or European Economic Area an application can only be made by your UK co-producer. In both instances the UK Film Council will make its offer of funding direct to the UK co-producer and may require the non-UK based producers to sign the Production Finance Agreement. You may wish to refer to www.ukfilmcouncil.org.uk/international for the Directory of UK Co-producers. **We will also expect a UK distribution arrangement to be in place before finance documentation is closed.**

The Premiere Fund will only consider exceptions to the eligibility criteria at its own discretion and if it believes that such an exception will help achieve one of the UK Film Council's objectives.

The Premiere Fund will generally expect you to have secured, or be in the advanced stages of securing, the services of a director and the principal cast of the film unless you are making an application for an early commitment of investment.

For the avoidance of doubt, neither of the New Cinema Fund, the Premiere Fund, or one of the National Lottery franchise companies – DNA Films Limited, The Film Consortium Limited, Pathé Pictures Limited (for the duration of their respective franchises) - can fund the same project.

What can you apply for?

The Premiere Fund will usually contribute up to 35% of a feature film's production budget but will consider a higher level of investment where the balance of the funding is from commercial sector sources (pre-sales, distribution guarantees, broadcasters, etc.). Funding will usually be provided by way of an equity investment in the film.

How to apply?

Once you have read through these guidelines you need to make your application. All requests for funding from the Premiere Fund must be accompanied by a completed Premiere Fund Application Form which is available on request or on the website at www.ukfilmcouncil.org.uk/funding/features/premierfund/application form.

What to send with your application?

You **must** include with your Application Form:

- The **Premiere Fund – Additional Information Form** which accompanies the **Application Form** and is used by the UK Film Council for monitoring purposes;
- A **short synopsis** of your film project (maximum of 100 words); and
- Two copies of your **script** (with the draft number and date clearly marked on the front page, page numbering throughout and in the industry standard format, a copy of which is available on request or on the website at www.ukfilmcouncil.org.uk/features/samplescript); one copy must be unbound, the other copy can be stapled.

You may also include:

- Proposed production budget;
- cashflow schedule;
- Finance summary;
- Sales agent's estimates;
- Details of your production company;
- Details of creative elements already involved;
- Director's creative comments;
- Any showreels or short films if the director is a first-time feature director;
- Shooting schedule;
- Outline of proposed recoupment structure.

The Production Budget

Please note that you do not have to submit a production budget (or other items listed in paragraph 3.3 above) with your initial application. However, if the Premiere Fund is interested in your project creatively we will require a production budget before we can progress your application further. The Premiere Fund will expect a production budget to be based on industry norms and market rates. The level of production budget should reflect the level of recoupment that the project can reasonably expect to deliver. When you submit your production budget (either at application stage or later at the request of the Premiere Fund) it **must** contain provision for the following costs and expenses:

- Clearances of all rights in the film worldwide in all media in perpetuity (except for those sums due in respect of music performing rights);
- An independent guarantee of completion;
- All customary production insurances (including errors and omissions) on which the UK Film Council will require to be named as an additional insured;
- A mandatory contribution to the Skills Investment Fund;
- All the delivery items set out in **Delivery Requirements** including, amongst others, the access materials relating to exhibition to people with sensory impairments; and
- Adequate unit publicity and test screenings.

Once completed and signed the Premiere Fund Application Form and supporting materials should be sent to the UK Film Council marked for the attention of the Premiere Fund. Materials are sent at your risk and we suggest that you avoid submitting original supporting materials. Applications can be sent by courier or by post.

Please note that the Premiere Fund reserves the right to request and review any other relevant supporting material before making a funding decision.

Please also note that it is your responsibility to keep the Premiere Fund informed of any changes to or progress in your project's financial or creative development. If your project is under assessment

and you wish to submit a revised draft of your script you must clearly mark on the relevant page(s) where there are changes (or cross-reference such changes on a separate sheet of paper) in order to assist in and simplify our assessment process. Please also state the draft number clearly on the script. Your revised draft may not be accepted without these markings.

What happens next?

Your application will be acknowledged within two weeks of receipt. We will inform you as soon as possible if your application is not eligible.

Your project will be assessed initially on its creative merit. The Premiere Fund will also evaluate the project as a whole with particular attention being paid to the degree of confidence in the film reflected by the level of investment offered by the commercial sector as co-finance.

You will be informed within eight weeks of receipt by UK Film Council of your application of either our interest in your project or that your application is being rejected on creative grounds. Please note that this selection process is inevitably subjective and our decision is final. There is no appeal process open to applicants whose projects have been rejected on creative grounds. The UK Film Council is required to retain the Application Form and one copy of the script for audit purposes. Other supporting materials can be returned to you on receipt by us of a written request. Alternatively your project may be referred as follows:

- If the Premiere Fund is interested in your project but believes that it requires further development, it can, with your agreement, recommend that an application be made to the Development Fund for funding. In such cases, the decision to provide such development funding will be made by the Head of the Development Fund; or
- If the Premiere Fund believes that your project is unlikely to receive its support but merits consideration by the New Cinema Fund, the Premiere Fund may refer your application to that Fund with your prior approval.

You may be invited to discuss your project further and supporting documentation may be requested. Such supporting documentation is likely to include:

- Proposed production budget and cashflow schedule;
- Finance summary;
- Sales agent's estimates;
- Details of your production company;
- Details of creative elements already involved;
- Director's creative comments;
- Shooting schedule;
- Outline of proposed recoupment structure.

The Premiere Fund will then liaise with the Business Affairs and Production Finance departments of the UK Film Council to assess your project. We may reject your application at this stage and will inform you of this decision in writing. Again please note that this selection process is inevitably subjective and our decision is final. There is no appeal process open to applicants whose projects have been rejected on this basis. The UK Film Council is not obliged to provide feedback on unsuccessful applications.

Re-submission: The UK Film Council will only accept resubmissions for funding if there has been significant and substantial changes to the script, or if major new elements have been attached or secured. Any resubmissions should be accompanied by a new Application Form, any supporting material originally submitted and should show clearly the alterations made and should be accompanied by a full explanation of those changes. **Resubmissions will not be accepted without such an explanation.**

Conditional Offer: If the Premiere Fund is interested in your project it may assist you in raising the finance for the production budget, and at the discretion of the UK Film Council, may commit to funding your project for a fixed period and for a fixed amount without all the financing elements being in place. This funding commitment will be conditional upon all the remaining financing elements being in place prior to the expiry of this commitment which will in any event be subject to a review by the Premiere Fund at three or six month intervals.

Offer of funding

Offer Letter: We will write to you to let you know if your application has been successful, the amount of funding to be offered by the UK Film Council and the outline terms and conditions relating to such funding. The UK Film Council funding will be conditional upon you entering into a Production Finance Agreement. Once the Offer Letter is returned signed and any conditions specific to the Offer Letter have been satisfied (for example other financing elements have been secured in principle) the UK Film Council will prepare the Production Finance Agreement.

If both the producer and director on a project are first-timers, ie without previous feature film production experience, the UK Film Council reserves the right to ensure that the film is realised under the guidance of an experienced executive producer or production company with the relevant costs therefor to be included in the production budget.

You may wish to set up a single purpose company solely for the purposes of producing the film project, in which case you must inform UK Film Council of your intention in writing.

Production Finance Agreement: Conditions of Premiere Fund finance

The UK Film Council uses standard form Production Finance Agreements. These documents are adjusted to the specific requirements of each project. The UK Film Council will not begin to cashflow a project until the Production Finance Agreement has been executed, all other financial commitments and distribution commitments are in place and the conditions of funding set out in the agreement have been satisfied.

Please note that you are advised obtain independent legal advice before signing the Production Finance Agreement.

The following parameters are intended as a guide only and are specific to the Premiere Fund. The terms and conditions attached to each investment will inevitably differ according to specific arrangements with all the relevant financing partners and distributors. The UK Film Council will make adjustments to these parameters from time to time as customary industry practices evolve:

Skills Investment Fund levy: The UK Film Council is committed to building the skills and talent of individuals entering and already working in the film industry. The Skills Investment Fund levy is a key component in helping to deliver a comprehensive training strategy for the UK film industry. A

contribution to the Skills Investment Fund of 0.5% of the production budget up to a maximum contribution of £39,500 is mandatory. The UK Film Council will also expect the production budget to contain provision for any appropriate trade association fees.

Training and education: The UK Film Council supports ways of trying to improve the profile of the industry's workforce so that it becomes more inclusive of the diversity of contemporary UK society. In this regard, you will be required to comply with obligations relating to interns and trainees as requested by UK Film Council. Key personnel shall be obliged to pass on knowledge and skills in a training/education capacity to less experienced writers, directors, actors, producers etc.

Access for people with sensory impairments: the UK Film Council is committed to enabling all sectors of the community to participate in and enjoy film but for many disabled people opportunities to appreciate and enjoy the medium are limited. You will therefore be required to ensure, as a minimum, that any agreement for the distribution of the film in the UK provides for distribution of a sub-titled film print in UK cinemas and the inclusion of a subtitled track (for the hearing-impaired) and an audio-description track (for the visually-impaired) on any UK DVD release of the Film.

Chain of titles/sequels, etc: You must establish clear rights to all works required for the making and exploitation of the project. The UK Film Council expects production companies to acquire (where possible) sequel, remake, spin-off rights, and all ancillary rights and the UK Film Council expects to participate in revenues from the exploitation of all rights.

Cashflow: The UK Film Council's cashflow will not commence until all third party funding documentation has been executed to the satisfaction of the UK Film Council. We will expect all financiers to cashflow pro rata and pari passu with the UK Film Council.

We will advance funds in accordance with a cashflow schedule agreed by the UK Film Council. The UK Film Council will make a retention of up to 10% of its investment for delivery of physical delivery items and delivery of the final audited cost report certified by an independent auditor (in any event such retention will never be less than 2.5%).

Net Profit share: The UK Film Council will expect and require a net profit share commensurate with its participation in the production funding in relation to other equity investors.

Recoupment: The UK Film Council will normally expect and require to be offered recoupment terms on a pro rata pari passu basis with those offered to other equity investors and where a sales agent or distributor is recouping a sales advance, UK Film Council will expect to receive a corridor of revenues against such sales agent or distributor.

Producer's revenue entitlement: The UK Film Council actively seeks to reward organisations and individuals who intend to use UK Film Council investment to assist in the development of a sustainable UK film industry. The UK Film Council will aim to maximise the production company's share of revenues from the film. The UK production company will be entitled to receive an amount equal to 5% from 'first dollar' of the money recouped by the UK Film Council (excluding net profits) against its investment in the film provided that you spend this money only on the following uses: staff skills training; project development; production funding; company business planning; film marketing; or raising capital for your company's business initiatives or such other uses as approved in advance by UK Film Council. Please note that this 5% corridor cannot be assigned by you to any other person or company and cannot be offered as a recoupment corridor to another financier of your project.

Copyright ownership: The UK Film Council will take a share of copyright in the film, and a share of all other rights including the underlying and ancillary rights, commensurate with its investment in relation to other equity investors. Once the Premiere Fund's investment has been recouped, the UK Film Council's share of ownership of rights and copyright may be assigned to the UK production company.

Security: The UK Film Council will take a fixed and floating charge over the company incorporated for the purposes of owning and producing the film, its rights, interests and revenue entitlement in relation to the film as security for its investment until the UK Film Council's investment has been repaid in full. The UK Film Council may also take a charge over any co-producer of the film, if appropriate.

Approvals and documentation: The UK Film Council will have a right of approval over the following:

- The script including all drafts, final shooting script, shot lists and story boards;
- Production company(ies), co-producer(s), individual producer(s) and executive producer(s), line producer, director, writer(s), principal cast and crew including all heads of department, unit publicist, production accountant, post-production supervisor composer, music supervisor, and the terms of their contracts including fees;
- Budget, cashflow and production schedules;
- Identity of all other co-financiers, and the business terms of the remaining finance for the film, and financing costs;
- Sales agent and terms of deal memo and sales agency agreement including the right to approve marketing materials;
- Distributor(s) and terms of deal memo and distribution agreements including P&A commitments;
- Broadcaster(s) and terms of licence agreement including level of licence fee, term and number of transmissions;
- Soundtrack album agreement (if applicable);
- Underlying rights – copyright position on underlying rights, options, development work, script rights and music rights (if applicable) together with comprehensive chain of title documentation;
- Collection agent and terms of collection agreement;
- Completion guarantor and terms of completion guarantee;
- Auditor;
- Delivery date;
- Running time;
- Film certificate;
- Screen aspect ratio;
- Processing laboratory/facilities house;
- Details of production account including signatories and bank mandate;
- Details of production insurance (including errors and omissions) on which the UK Film Council will require to be named as an additional insured;
- Credits; and
- Final cut (together with full consultation rights on the assembly and all cuts of the film);

and such other approvals as the UK Film Council may require from time to time.

Completion Guarantee and insurance: As mentioned above, the production budget should contain a provision for an independent guarantee of completion, the terms of which will be subject to UK Film Council approval. The completion guarantee must be operative before the UK Film Council will advance funds. The UK Film Council will require approval over the identity of the completion guarantor.

The UK Film Council expects producers to effect all usual production insurances (including errors and omissions) on which the UK Film Council must be named as an additional insured before the UK Film Council will advance funds.

Credit: The UK Film Council will require a contractual front screen credit on a separate card in the following form:

- UK Film Council animated logo
- "the **UK Film Council** [and] **present**" on a single card;
- an end credit in the form: "**Made with the support of the National Lottery through the UK Film Council's Premiere Fund**" followed by the UK Film Council followed by the UK Film Council's Lottery brand visual;
- a main title Executive Producer credit for the UK Film Council in a form to be advised.

The UK Film Council presentation credit and logo shall also appear in the billing block for the film and in all paid advertising for the film throughout the world (subject to customary exclusions).

Any other front and end credits granted will be negotiated in good faith between the parties. The UK Film Council will have the right to approve all credits.

Collection arrangements: All revenues for the film shall be collected by an independent collection agent to be approved by UK Film Council. The National Film Trustee Company Limited is the UK Film Council preferred collection agent. Where alternative arrangements are approved by the UK Film Council for collection, the account established must be a trust account. The recoupment structure, which will form part of the Collection Agreement, must be approved by all the financiers prior to any cashflow by the UK Film Council.

Any irrevocable payment instructions issued by the sales agent to sub-distributors must cite and direct payment of any minimum guarantees to the account of the collection agent.

Distributors and sales agents: As stated above, the UK Film Council will require approval rights over the appointment of all distributors, all distribution agreements, sub-distribution deal memos and long form contracts and principal deal terms. The UK Film Council will have approval rights over the appointment of all sales agents and their obligations and contractual arrangements in respect of the film (including commissions and expenses).

The UK Film Council may require contractually capped sales expenses and minimum sales estimates. No disposal of rights in any territory or media will be made below the agreed minimum terms without the prior approval of the UK Film Council.

Broadcasters: Broadcasters are key potential co-financiers of Premiere Fund projects but the UK Film Council will require demonstrably equitable licence fees and terms to be obtained for all UK broadcast rights.

Where a UK broadcaster is also providing equity funding, or is also the UK or international distributor of the film, UK TV rights must be valued at a fair and reasonable rate.

Film classification: The film must be capable of obtaining theatrical and video release certificates no more restrictive than BBFC '18' in the UK and MPAA 'R' in North America.

Interest, fees, overheads and legal fees: The UK Film Council will not normally agree to contribute funding to a production budget which includes interest, premium or overheads charged by or due to other financiers or investors, other than bank interest where gap financing is in place or where sales are being discounted. Where, exceptionally, interest or overhead fees are charged by a co-financier, the UK Film Council will expect to receive interest or overhead fees (as appropriate) on a pro rata pari passu basis (using all reasonable endeavours to ensure that all such payments are not drawn from the budget but are recouped out of film revenues).

The level of overheads and producers' fees within a production budget will be a matter for reasonable negotiation and mutual agreement between producers and financiers (including the UK Film Council) taking into account the actual role of the individuals and companies involved.

The UK Film Council does not encourage the use of deferred fees unless they are warranted and clearly justifiable in particular circumstances.

The UK Film Council will require a provision in the production budget of an amount to be advised to the producer as contribution towards the cost of its external legal fees payable to the UK Film Council on commencement of principal photography of the film.

Residuals: The UK Film Council expects producers to include in their budgets sufficient funds to clear worldwide rights in all media from all individuals or organisations who may be contributing to the production. Under no circumstances will the UK Film Council assume the responsibility for, or guarantee payments to talent or for residuals, repeat fees or royalties.

Underspend: Producers are encouraged to deliver on budget and the UK Film Council may agree to producer participation in underspend on their film(s) of up to 50%.

Sale and leaseback: The UK Film Council will accept conventional sale and leaseback arrangements provided that:

- Transaction costs and expenses (including defeasance bank guarantee fees, legal and audit fees) are capped at reasonable amounts;
- The net lease benefit is in line with market rates;
- Any external legal fees incurred by the UK Film Council in lifting and re-imposing its security interest in connection with a sale and leaseback shall be reimbursed to UK Film Council directly from the net lease benefit; and
- If the financial benefits are not cashflowed into the production, the production company's participation in the net lease benefit will be a maximum 20% and if the investors have not recouped their investment, the UK Film Council will look for the balance of the benefit to be paid to the UK investors pro rata to their investment in the film.

Trust account: Where the UK Film Council provides production funding, it will require all funds to be paid into a separate dedicated trust account. Completion of a trust account bank mandate will be a pre-condition to the UK Film Council advancing funds.

Production information

The information required during production of the film (as reflected in the Production Finance Agreement) will include:

Daily during production:

- Copies of all rushes available on video (or access to viewing of dailies if not available on tape) sent to the Premiere Fund's General Assistant; and
- Progress reports and call sheets, by e-mail (or fax) to the UK Film Council Head of Physical Production and to the Head of the Premiere Fund.

Weekly until a fortnight after completion of principal photography and each month thereafter (to the UK Film Council's Production Accountant):

- Cost statements with narrative and showing movement since last report.
- Statements of finance and expenditure (funding reconciliation).
- Bank reconciliations and the copy bank statement reconciled to the trial balance.
- Such other financial information as required from time to time.
- Statement of creditors and debtors.

As issued/available to each of the Head of Physical Production and Premiere Fund Project Co-ordinator:

- Copies/access to cut scenes and assemblies;
- Crew and cast lists;
- Script changes; and
- Schedule changes.

A UK Film Council representative will be entitled to attend all stages of pre-production including meetings, script read-throughs, make up tests, production and post-production including access to the sound mix, ADR sessions, music recording, grading and telecine and relevant screenings.

The travel and accommodation cost of two set visits by a UK Film Council representative during production are to be included in the budget.

Delivery requirements

The UK Film Council will require delivery of the following items the cost of which must be contained in the production budget:

Film and video elements

- A 35mm showprint (delivery print) from the original negative. If the final version of the film is not produced on 35mm negative then the UK Film Council will, in lieu of such 35mm showprint, accept a best available PAL digital master (ie Hi Def if available) for the British Film Institute for deposit at its National Film and Television Archive;
- An additional best available clone PAL digital master (ie. Hi Def if available); and
- Four PAL VHS or DVD copies (including two for the British Film Institute for deposit at its National Film and Television Archive).

Disability Access Materials

- Original translation of the dialogue and soundtrack of the Film on a computerised file or CD Rom (for use for captioning/subtitling purposes for the hearing impaired);
- Two 35mm release prints of the Film (or digital equivalent if applicable) incorporating 'burnt in' subtitles in English for the hearing impaired. UK Film Council agrees to make available on loan to the UK distributor of the film one of such 35mm release prints for exhibition by the distributor of the film in the UK; and
- Audio description track (for the visually impaired) on DA98 master tape.

Publicity materials

- Four copies of the Film poster;
- 10 colour stills (transparencies) and 10 black and white stills;
- Electronic press kit (including interviews with actors and other persons connected with the film); and
- Written publicity pack – including biographies (cast, producers, directors, writers and key crew), production information, interviews with actors and other persons connected with the Film, feature stories and news releases.

Documents

- Shooting script signed by director and leading cast (for deposit at the British Film Institute);
- Evidence of payment to the Skills Investment Fund;
- List of trainees and interns engaged on the film including names, positions and where sourced;
- An audited statement of final costs from a registered auditor or equivalent in a form approved by the UK Film Council;
- British Film Certificate (if applicable);
- Copies of UK and international marketing plans (and for US if different to international); and
- A fully completed Film Completion Monitoring Questionnaire in the format attached to the Production Finance Agreement;

and such other materials as the UK Film Council may reasonably require from time to time.

UK FILM COUNCIL
P&A SUPPORT FUND
GUIDELINES FOR APPLICANTS

Please note that these guidelines replace in their entirety the previously published guidelines for the Specialised P&A Fund and the UK Film Distribution Programme (which have now closed). Following review these two funds have been replaced by a single fund which will operate under these guidelines.

1. Introduction

In 2003, the UK Film Council's Distribution and Exhibition Department launched two funds designed to support the release of certain categories of films in the UK. These were:

The Specialised P&A Fund (of £1 million per year) was designed to widen and support the distribution and marketing strategy of, what were described as, 'specialised' films. The Fund aimed, over the medium to long term, to develop audience appetite for, and propensity to choose to view, a wider range of films.

The UK Film Distribution Programme (UKFDP) (of £1 million per year) was designed to support the release of more commercially focused 'British' films that were considered to involve a degree of commercial risk if released on a wide basis and with a relatively high degree of marketing expenditure.

After approximately 18 months of operation of these two funds, the UK Film Council undertook a major review, in consultation with the industry. The review confirmed that the **Specialised P&A Fund** was extremely successful in achieving its aim, was supported by the market, and would benefit from an increase in its funding allocation to continue its positive outcomes. However, the **UKFDP** was failing to attract suitable films, was not supported by the market and was felt to be failing to incentivise the wider release of British film.

In addition, the UK Film Council's Distribution and Exhibition Department is now unfolding the Digital Screen Network which is intended to facilitate wider releases of 'specialised' films, especially into areas that traditionally have featured very few such films as a regular part of cinema programming. It is therefore important to ensure that the UK Film Council's support for distribution of films is structured in ways that can capitalise upon this new and significant opportunity.

2. The UK Film Council's P&A Support Fund (The P&A Fund)

Consequently, the UK Film Council has combined the two original funds into a single fund, the UK Film Council's **P&A Support Fund (The P&A Fund)** with an annual budget of £2 million. Whilst still concentrating on supporting 'specialised' film, this new Fund will also offer support to more commercially focused 'British' films that nevertheless remain difficult to market.

This Fund is not intended to substitute pre-existing investment but rather is seeking to add value to the investment already being made by distributors in each film.

The Fund aims to benefit audiences by:

- widening access in terms of the range of films available;
- widening opportunities to view such films across the UK; and
- widening audience awareness of the range of films potentially available.

The UK Film Council is also committed to ensuring that the cinema experience is open to all, including disabled people. In all cases therefore, the UK Film Council will require applicants to include proposals to meet the needs of cinema-goers with sensory impairments. (For more details please see section “**Meeting the Needs of Disabled Cinema-goers**” below).

These guidelines detail the application process for film distributors and explain how awards from the P&A Fund are made.

Applications can be made in order to enhance the release and marketing of a film in the UK through enhanced P&A costs. Appendix B sets out allowable items that can be included in the proposed P&A budget.

Awards are selective and will be made on the basis of the UKFC’s creative and commercial judgement with regard to the details supplied at application.

3. Can you apply? (Eligibility)

Please note the following:

Applicant

An applicant to the P&A Fund must be a company registered and centrally managed in the UK. Individuals may not apply.

Applicants should have direct experience of theatrical distribution in the UK. Exceptions to this will be considered at the sole discretion of the UK Film Council.

Eligible Categories of Film

In order to be eligible for the P&A Fund films must be capable of being categorised as either a ‘Specialised’ film or a ‘British’ film as follows:

Specialised Film (for the purposes of The P&A Fund)

A key objective of the Distribution and Exhibition Department is audience development for ‘specialised’ film. The UK Film Council’s definition of a Specialised Film is set out in Appendix A.

Successful applications under this category might be:

- films that are regarded as 'specialised' but which, if released more widely with an enhanced marketing spend, nevertheless have the ability to attract and deliver to new audiences that traditionally do not choose to view these 'diverse' films; or
- films that are likely to appeal principally to the core audience for specialised film (i.e. the film 'buff') but whose marketing spend is commensurate to the predicted box office for such film. The Distribution and Exhibition Department would expect applications for such films to focus on the issue of **access** to the film e.g. applications could relate to funding for additional prints and/or the creation of a digital cinema master.

British Film (for the purposes of the P&A Fund)

Applications can also be made for 'British' qualifying films that may not be able to be categorised as 'specialised' films because they have a more a commercial focus but which are nevertheless **difficult to market**. This difficulty to market may be due to the film's subject matter, lack of named stars or director, lack of any significant 'hook', or a difficult or different cinematic style.

'British' films are those that are in receipt of a 'Certificate of British Nature of a Film' (i.e. "qualifying films) from the UK's Department for Culture, Media & Sport under the terms of **Schedule 1 of the Films Act 1985** as amended. 'British' films, for the purposes of this P&A Fund, do not include films certified under any of the UK's co-production treaties or under the European Cinematographic Convention, although applicants should note that such films will potentially be eligible under the Specialised Film category above.

Other eligibility criteria for both 'Specialised' or 'British' films

Applications can only be made in respect of feature length films (defined as a minimum of 69 minutes) and may be presented in either 35mm or digital formats.

Applicants must own or control at a minimum the UK theatrical rights to the film at the time of submitting the application, and preferably also own other UK distribution rights, e.g. DVD and television. Successful applicants will be required to demonstrate rights ownership or control as a condition precedent to UK Film Council funding.

Applicants must have already committed, or be planning to commit, a significant P&A investment in the film relative to the type of film and its perceived market potential. The UK Film Council will determine if such a

commitment is significant based on its assessment of the film and its knowledge of the market.

The applicant must also demonstrate that it is able to commit sums to cover the entire P&A budget (i.e. both its own and the UK Film Council's contribution) as the award will normally be cashflowed after the release of the film and once all P&A costs have been paid.

Applications relating to the release of the film in territories other than the UK will not be eligible. For the purposes of this Fund the UK territory will include Eire in relation to the distribution plan. However a solo Eire release will not be eligible and neither will specific P&A requests that are directly linked to Eire expenditure e.g. extra TV expenditure.

The film must have already received, or be capable of receiving, a classification certificate from the British Board of Film Classification. Films classified or likely to be classified as R18, however, will not be eligible.

The applicant must be in possession of a print (or other suitable format) for a screening at the time of application, or confidently expect to be in possession of one within a maximum of 2 weeks of the application (see also information under Deadlines below).

Finally, applications must be submitted at least 12 weeks prior to the planned release date in order to be eligible. Exceptions to this rule will only be made at the UK Film Council's discretion.

4. How to apply

Timing

Applications should be submitted between 12-18 weeks ahead of the planned release date. In order to properly assess an application UK Film Council must allow sufficient time to arrange a screening of the film, assess the film and the P&A budget, in some cases discuss the application with the applicant, and make recommendations. In addition, since applications are likely to relate to increasing the number of cinemas releasing the film and increasing expenditure on media, if an applicant is successful they will need to allow sufficient time to make the necessary arrangements in order to maximise the benefit of the additional P&A spend. The earlier UK Film Council can inform the applicant of an award, the greater the potential to maximise the value of the additional P&A expenditure.

The optimum time for applying to the P&A Fund is 16 weeks ahead of the planned release date. Applications submitted less than 12 weeks ahead of the planned release date will be technically ineligible and will only be accepted at UK Film Council's discretion.

An example of the time line is as follows:

Event	Timeline (if)	Time remaining pre-release
STAGE 1		
Application received	16 weeks (12)	16 weeks (12)
Arrange screening	3 weeks	13 weeks (9)
UK Film Council assessment of film (post screening)	1 week	12 weeks (8)
STAGE 2		
Arrange meeting with distributor	1 weeks	11 weeks (7)
Distributor submits relevant data to support application	1 week	10 weeks (6)
Internal preparation for presentation to UK Film Council approval mechanism (Distribution Finance Committee)	1 week	9 weeks (5)
Presentation to Distribution Finance Committee	1 week	8 weeks (4)
Applicant informed of decision, Offer Letter issued and returned	1 week	7 weeks (3)
Time to arrange additional cinemas and book media	1 week	6 weeks (2)

All of the above timings are necessarily subject to and influenced by:

- screenings already scheduled in;
- work and other commitments;
- print availability;
- number of other applications received/being processed by UK Film Council;
- other D&E projects;
- applicant's availability to attend a meeting to discuss Stage 2 requirements;
- applicant's prompt submission of the required Stage 2 paperwork; and
- availability of UK Film Council legal and/or finance staff.

The 16 week optimum deadline is therefore aimed at maximising the value of the combined distribution investment rather than being an arbitrary bureaucratic barrier.

How much should an applicant apply for and what is the requirement for partnership funding?

The P&A Fund is £2 million per year. While there is no minimum or maximum award, nor any fixed percentage required as the distributor's contribution to the P&A spend, the following general guidelines may be helpful:

- Each application will be assessed on its own merits. The level of the applicant's own investment will be taken as an indication of its own level of belief in and commitment to the film. The Distribution and Exhibition Department will need to be convinced that the award requested will actually make a difference to the film's outcome and is truly additional rather than a replacement for funds that the distributor might be reasonably be expected to invest, given the creative and commercial judgement of the film.
- The applicant's investment in the P&A budget can include the applicants own money or other grants such as those obtained through the **EU Media Programme**. However, the applicant should identify the source(s) of its investment on the Stage 2 Application Form (if the application progresses to Stage 2).
- In general, the amount applied for should reflect the commercial or audience potential for film, which in turn should be reflected in the applicant's own proposed P&A investment.
- In general, the application amount for a specialised 'Access' film might be expected to be significantly lower than for either a specialised crossover or a commercial British film.
- Bearing in mind the fund's overall limit of £2million and the UK Film Council's need to support a wide range of films in order that for its objectives to have the best chance of being met, no single award is likely to be made that impacts upon the P&A Fund's ability to achieve these objectives.
- No application is likely to be successful that, in the UK Film Council's opinion, does not represent value for money. Among other factors, the amount of the application and the potential audience benefit it will produce will be a major consideration.

Stage 1

Application form

Applications must be made on the **P&A Fund Application Form**. Application to this Fund will be a two stage process. Applicants should initially complete and submit the P&A Fund Stage 1 Application Form. The applicant will be required to set out its planned P&A spend (assuming no UK Film Council support) and the amount requested from UK Film Council. In compiling the P&A spend the applicant must only include proposed spend on the allowable P&A items set out in Appendix B. Please note that a detailed media plan is not required at this stage.

As stated above, the UK Film Council is committed to ensuring that the cinema experience is open to all, especially to disabled people. The applicant will therefore be required, at Stage 1, to set out its proposals to meet the needs of cinema-goers with sensory impairments. The applicant will be required, at the very least, to provide a hard subtitled version of the film. Wherever possible the applicant should be prepared to provide both soft subtitled and audio described tracks to those cinemas that have the equipment to use them. The wider the planned release the greater the expectation there will be for these facilities to be provided.

The P&A Fund Stage 1 Application Form must be signed by an authorised representative of the applicant and submitted in hard form (together with an e-mail copy sent to kath.knight@ukfilmcouncil.org.uk if possible). The receipt of the signed hard copy will commence the assessment process.

Stage 1 Assessment process

P&A Fund Stage 1 Application Forms will be acknowledged within 2 weeks of receipt.

The Distribution and Exhibition Department will initially look at whether the application is eligible in terms of the criteria set out in '**Eligibility: Applicant**' and '**Eligibility: Other Criteria**' above. This includes whether the application has been submitted within the deadline for applicants set out above.

If the application fails to satisfy one of those eligibility criteria the application will be rejected at this point (except potentially where UK Film Council retains a discretion to accept the application) and the application will be notified in writing.

If the application satisfies the eligibility criteria relating to '**Applicant**' and '**Other Criteria**' a screening of the film for the representative(s) of the Distribution and Exhibition Department will be requested.

After viewing the Film, Distribution and Exhibition Department Executives will initially assess the eligibility of film itself as follows:

1. Can the film be categorised as **Specialised**; or

2. Can the film be categories as a '**British**' film that is **difficult to market**.

If the answer is yes to either of these the Distribution and Exhibition Department will assess whether the film can contribute to the Department's overall objective of developing audiences for Specialised and British film. Namely, whether it is believed that a wider audience could be persuaded to see the film **and**, if this was the case, that such an audience would potentially appreciate it. If the Department believes that the film will not appeal to a wider audience but will, nevertheless, appeal to the core arthouse audience (i.e. 'film buffs') the Department will also look at whether the application relates to funding for increasing **access** to the film and whether the proposed P&A spend is proportionate to the potential box office for such film.

The Department will also consider the applicant's proposals to meet the needs of cinema-goers with sensory impairments.

At this stage the Distribution and Exhibition Department will make one of three decisions:

- a) To reject the application (by letter); or
- b) To proceed to Stage 2 and discuss in depth with the applicant their proposed release plan for the film; or
- c) To proceed to Stage 2 but discuss with the applicant a revision to their proposed release plan which may involve proposing a smaller award than requested. This may be because the Distribution and Exhibition Department have assessed that the film does not entirely meet the Department's objective to widen audiences but nevertheless is likely to appeal to and be seen by core art house audiences across the UK and therefore merits an award relating to increasing 'access' to that film (e.g. additional print costs or production of digital cinema master).

Applicants will be informed of the Department's decision informally by telephone. If the application is to be rejected this will be followed with a formal letter. Applicants who have been rejected will be offered the opportunity for an informal feedback session which will provide details of why the application failed and offer advice on how to make future applications.

If the application is to be taken forward to **Stage 2** the applicant may be invited to a meeting with the Department representative to discuss the film and the application in more detail. During this session the UK Film Council might propose that a reduced level of support from UK Film Council is requested.

Stage 2

Application Form

If the Distribution and Exhibition Department notifies the applicant that it wishes to proceed to Stage 2 the applicant should, within two weeks of such notification, complete and submit the **P&A Fund Stage 2 Application Form**.

This should include a comprehensive media plan and P&A budget. The P&A budget must only contain those allowable P&A items listed in Appendix B. This should also include a 'dating' list.

Applicants will also be required to indicate a range of rental estimates, from low, medium to high. The requirement for this range of estimates recognises the traditional difficulty and unreliability of rental estimates, given the vagaries of the market place and facilitates more informed funding decisions by the UK Film Council.

Stage 2 Assessment process

The Department will have already decided that the film can be categorised as a Specialised Film or a British Film (that is difficult to market) and will have made an initial assessment as to whether the particular film can contribute to the Department's overall objective of widening audiences.

The application will be then assessed by the Distribution and Exhibition Department who will look at: (i) the level of expenditure proposed and investment requested by the applicant; (ii) the number and locations of cinemas proposed; and (iii) the overall publicity strategy:

(i) Level of expenditure proposed and investment requested:

The department will assess the level of the applicant's proposed marketing investment with respect to the film's commercial potential as evidenced by its range of film rental estimates and with reference to the department's own commercial judgement. Please note that the vagaries of the market are well understood and commercial judgement will not necessarily be the defining acceptance criterion. Nevertheless, the department will need to feel confident that the level of investment requested will significantly help the film to reach a wider audience and thus provide value for money and represent a real addition to what the applicant would in any case invest.

(ii) The number and location of cinemas proposed:

In order for a film to attract an audience that might not otherwise have the opportunity to view it, it is essential that the range of cinemas proposed by the applicant include those that would not normally receive such a film. Geography and cinema type are thus important assessment criteria. It will

not necessarily be the P&A Fund's objective to expand a film's release purely into those cinemas that would normally book the film anyway.

(iii) Overall Publicity Strategy

Research has suggested that audiences are attracted to specialised films via a communication strategy that does not entirely depend on media advertising. In this regard, editorial coverage, features, star and director interviews and critical comment are important. The degree to which the overall release plan incorporates and acknowledges these important areas will be considered as part of the assessment process.

In the case of an application that in the department's opinion is more weighted towards core **art house audience**, the department will also consider the following factors:

1. In the creative and commercial judgement of the department, will the film have appeal amongst a core specialised audience?;
2. Is the application for an award to fund wider distribution indeed additional to rather than a replacement for what the applicant might be expected to do anyway, bearing in mind the department's creative and commercial judgement of the film?; and
3. Will the film, in the department's judgement, be of benefit to audiences i.e. giving them an opportunity to view that they would not otherwise have?

In short, these films will be assessed as whether or not they have value primarily from an 'access' perspective as well in balance with the P&A Fund's overall objectives of audience development. Applicants should also be realistic in the size of any 'access only' award requested.

In the case of an application that falls into the **British** category the Department will also consider the following factors:

1. Does the film have a certificate of the British nature of a film by the DCMS certification unit?;
2. Is the amount requested consistent with the film's perceived commercial potential as evidenced by the applicant's range of rental estimates and the department own commercial judgement?; and
3. Will the proposed award benefit audiences who might not otherwise have the opportunity to view the film? In this regard, the department will use its creative and commercial judgement to assess whether indeed an audience actually exists for the film and that any award given will indeed represent value for money in respect of the fund's objectives.

In all cases the Department will follow the assessment criteria laid out above in a systematic and rigorous manner and will document its assessment along the way.

3. What happens next?

The Department will then decide whether to recommend the application for approval or whether to reject the application. If the application is to be rejected the Department may notify the applicant informally by telephone and will formally notify the applicant in writing.

If the Department decides to recommend the application for approval then it will submit the application to the UK Film Council's Distribution Finance Committee for approval. At this point the UK Film Council's legal and finance departments will undertake a due diligence assessment of the application.

Offer Letter

If the application is approved by the Distribution Finance Committee, the applicant will be sent a Offer Letter setting out the terms and conditions of the P&A Fund award. This Offer Letter must be counter-signed and returned to UK Film Council within 14 days of issue.

The Offer Letter will contain the same terms and conditions for each successful applicant. The terms and conditions include the following:

Conditions Precedent

The applicant must provide UK Film Council with distributor-level access to daily EDI figures.

The applicant must own or control the theatrical distribution rights in the UK territory.

The applicant must have secured a British Board of Film Classification certificate for the film (excluding R18 category).

The film must be released on the agreed release date and according to the approved market plan and budget unless otherwise agreed **in writing** with UK Film Council.

Use of award

The full amount of the P&A budget (including the distributor investment and the UK Film Council award) must be spent as set out in the approved P&A budget and only on the allowable P&A items listed in Appendix B.

Please note that this list now includes expenditure towards preparing a film for digital distribution. This includes:

Digital production (features or trailers)

- Scanning a negative or IP to digital format (in such cases where a high definition digital master does not exist and where the production of which might prove a significant benefit to the film's release);
- The upgrading or remastering of a lower resolution digital master (e.g. digi-beta) where the production of which might facilitate a more cost effective, wider release;
- The production of digital cinema distribution master (i.e. a compressed and encrypted master that can subsequently be copied onto physical media for delivery to cinemas with a digital capability); or
- The inclusion of soft subtitled and audio described tracks in a combined digital cinema distribution master.

Cashflow

The UK Film Council will not cashflow an award until 12 weeks after the release of the film or when invoices for all third party costs relating to the P&A spend have been received and paid by the distributor (whichever is later) and the distributor has provided a cost statement to the UK Film Council on the UK Film Council pro forma, (which at the request of UK Film Council may need to be supported by full back-up documentation, including copy invoices).

Any underspend on the agreed final P&A budget of more than 10% of the total budget will cause the UK Film Council to reassess the application and may result in the award being withdrawn by the UK Film Council. Any underspend of less than 10% of the total budget may be deducted from the UK Film Council award, at the discretion of the UK Film Council.

After UK Film Council approval of the cost statement, the distributor may submit an invoice.

Recoupment

The UK Film Council will seek to recoup its award in the event that the film generates a surplus for the applicant/distributor in its theatrical release. This will work as follows:

The applicant may recoup its own agreed P&A investment in first position from theatrical film rental receipts (as the term is commonly understood by the industry). Any film rental receipts in excess of this will go towards the UK Film Council award i.e. the UK Film Council award will be recouped in second position. In the event that insufficient film rental receipts are received to cover the award, then no further payment to the UK Film Council will be due. No premium or interest will be charged and the UK Film Council will only seek to recoup its cash investment. The theatrical release of the film in the UK territory will be deemed by UK Film Council to have ended 6 months after the actual release date of the film. The following examples demonstrate a number of possibilities.

Example 1

Distributor P&A contribution	£100,000
UKFC award	£80,000
Film rental receipts	£ 120,000

Distributor fully recoups its investment
UKFC recoups £20,000 only

Example 2

Distributor investment £100,000
UKFC award £80,000
Film rental receipts £ 250,000

Both distributor and UKFC recoup their investment

Example 3

Distributor investment £100,000
UKFC award £80,000
Film rental receipts £ £75,000

Distributor recoups £75,000 toward its investment
UK recoups nothing

The applicant/distributor must submit a royalty statement to the UK Film Council six months from the first theatrical release date of the film, and thereafter only at the request of the UK Film Council.

The UK Film Council reserves the right to audit the references in the distributor's books to the film supported by the UK Film Council award.

Credit

The UK Film Council will be given a contractual front credit on the film containing such wording and logo as reasonably requested. The UK Film Council will also be given a contractual credit (in a form to be supplied by UK Film Council) on all customary paid advertising (e.g. posters and press ads).

Meeting the needs of disabled cinema-goers

As stated above, the UK Film Council is committed to ensuring that the cinema experience is open to all, especially to disabled people. In all cases, the successful applicant will be expected to address the needs of cinema-goers with sensory impairments. The Offer Letter will specify the level to which the successful applicant must address the needs. At the very least, the applicant will be expected to provide a hard subtitled version of the film.

As part of the UK Film Council's overall strategy for exhibition and cinema-going it has placed great emphasis on the availability of both soft-subtitled and audio described discs for cinema-goers with sensory impairments. With regard to the P&A Fund, it is expected that applicants who are planning a release involving 50 or more prints will make the appropriate access friendly discs available for those cinemas that are suitably equipped. Applicants will also be required to ensure that the availability of the discs is publicised through the normal industry channels and made available for delivery by e.g. Dolby and/or DTS in time for the film's opening.

In the event that the basic materials to produce the copies have not, for any reason, been produced, then applications may be made to the UK Film Council print provision strand of its Cinema Access Programme. The details for this fund may be seen at:

<http://www.ukfilmcouncil.org.uk/funding/distributionandexhibition/cap/capprintprov/>.

Successful applicants must also ensure that any sub-titling and/or audio description will be used on the DVD release.

Other requirements

The UK Film Council will also require:

- Free access to (except reasonable costs of delivery) and use of a print(s) of the film for special private screenings arranged by UK Film Council if requested;
- an educational element to the distribution of the film such as making production notes accessible over the world-wide web, supplying a

- reasonable number of gratis DVDs for educational use at designated libraries, or other elements as advised by UK Film Council;
- that the distributor participates in seminars for the film distribution sector and other educational events in order to disseminate knowledge and ideas (subject to reasonable notice and availability).

Research

UK Film Council considers that not enough is yet known about the specialised market or its audiences. Each award will include an element of funding that the applicant will need to match in order to carry out exit polls in one London and one provincial cinema on all films with a release of more than 20 prints. The Distribution and Exhibition Department will develop a range of questions that relate to audience make-up, sources of awareness, level of enjoyment and recommendations levels of the film seen, etc. The Successful applicants will be free to use any company they wish, as long as the required questions form part of their survey.

Present investigations suggest that the cost for each film might be around £4,000-£5,000. Each award will include £3000 towards this. The distributor will need to pay for any additional costs and agree to carry out the research. Who they choose and any additional questions that the distributor may wish to ask is their responsibility. The methodology of the research, when and where must be agreed with the UKFC on a film by film basis.

Over time, this research will be analysed, combined, anonymised and fed back to the industry so that all parties might learn from its findings.

APPENDIX A

UK Film Council: Definition of Specialised Film

The UK Film Council definition of 'specialised' is quite broad and relates to those films that do not sit easily within a mainstream and highly commercial genre. They may be characterised as being predominantly from the independent production sector (although they may be being handled by a mainstream, studio-based distributor), or made with a relatively low production budget (e.g. as compared to a Hollywood production), and have a focus that is more script and character than effect and event driven and might be expected to appeal at present to a more narrow audience segment than a more mainstream film.

Specifically, the UK Film Council's Distribution and Exhibition Department will use the following criteria when determining whether a film will be categorised as 'specialised':

Foreign language with subtitles

In almost all circumstances a film of this type will be classified as 'specialised'. Examples might include: Bad Education, Motor Cycle Diaries, Aaltra.

Documentaries

In almost all circumstances feature length documentaries intended for theatrical distribution will be classified as specialised. Examples might include: Capturing The Friedmans, Touching the Void, Super Size Me.

Archive/classic films

Notwithstanding the focus of the original film, or the language it is presented in, or the audience which today it might appeal to, archive or classic films will be regarded as specialised. Examples might include: The Leopard, Gone With The Wind, The Big Red One.

Films that fall outside the above parameters may still be regarded as specialised. Other criteria to be applied in the assessment process will include:

Genre

Whereas mainstream films might be regarded as falling within popular and recognisable genres, specialised films are less easy to define and thus more difficult to categorise in this way.


Hook or USP (Unique Selling Point)

With mainstream films, the subject matter is generally more straightforward and easy to communicate to audiences. Specialised films tend to deal with more complex and challenging subject matters that are less easy to communicate.

Cinematic style

Within the mainstream genre, the film's narrative and cinematic style are generally quite straightforward, uncomplex, conventional and with high production values. Specialised films are often characterised as having a more innovative or unconventional storytelling style or aesthetic and may deviate from the straightforward narrative structure found in mainstream cinema. Overall, the film is more dependent on story, character development and a challenging subject matter than on high production values, effects and star names.

In reality, the distinction between specialised and mainstream films is not always clear cut. Indeed, even within specialised films, distinctions might be drawn between those that might have an opportunity to attract and please a wide audience and those that will intrinsically remain open only to a limited audience. Films, thus, might be regarded as existing along a spectrum with core arthouse at one end, and high cost, high production value effect and star driven films (mainstream Hollywood) at the other. Schematically, the spectrum, with examples, might usefully be regarded as follows.



Aaltra	In this world	Story of the Weeping Camel	Good Bye Lenin !	Bad Education	The Motorcycle Diaries	Lost in Translation	Collateral	Saving Private Ryan	Terminator 3
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Rather than seeing films in black and white terms, the UK Film Council realises that they exist along a spectrum with various shades of grey. Clearly, unanimity is unlikely when assessing the intrinsic nature of a film and where it might be placed on the spectrum and the UK Film Council will of necessity exercise a degree of creative judgement when assessing a particular film.

However, the judgement as to whether a certain film can be categorised as 'specialised' is necessarily subjective. On receipt of an application UK Film

Council will make this subjective assessment. The decision of the UK Film Council will therefore be final.

APPENDIX B

ALLOWABLE P&A ITEMS

a. Production and design

- Posters
- Trailer(s)
- TV spot(s)
- Radio spot(s)
- Press and magazine ads
- Theatre displays (e.g. standees)
- Press book
- Screening tickets
- Promotional merchandise (e.g. T-shirts, games, books, etc)

b. Prints and Distribution

- Trailers
- Release prints
- Censorship costs
- Exhibitor screenings
- Despatch costs
- Tracking costs

c. Media costs

- TV
- National and local Press
- Magazines
- Radio
- Outdoor

d. Publicity

- Media screenings
- B/W stills
- Colour production
- TV clips and EPK
- Radio syndication
- Talent visits
- UK festival costs
- PR agency fees and agreed expenses

e. Promotions

- Agency fee and agreed expenses
- Talker screenings
- Other promotions
- Website

f. Research

- Exit research
- Sneak previews (playability)
- Media materials testing
- Concept testing

g. Digital production (features or trailers)

- Scanning a negative or IP to digital format (in such cases where a high definition digital master does not exist and where the production of which might prove a significant benefit to the film's release).
- Upgrading or remastering of a lower resolution digital master (e.g. digi-beta) where the production of which might facilitate a more cost effective, wider release.
- Production of digital cinema distribution master (i.e. a compressed and encrypted master that can subsequently be copied onto physical media for delivery to cinemas with a digital capability).
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