

**UK FILM | COUNCIL**  
(formerly Film Council)

# Group and Lottery Annual Report and Financial Statements

for the year ended 31 March 2004

Company no: 3815052

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# Chairman's foreword

Welcome to our fourth annual report of the UK Film Council.

The Board of Directors spent a good deal of time during the year looking forward, formulating our second strategic plan which sets the compass for our activities over the next three years. The plan builds on the priorities set out at our inception, seeking to consolidate what we've already achieved – for example, through continuing direct support for script development and film production – while developing the basis for new and expanded policy interventions. These include policies that address the increasing problem of film piracy, that help us deliver on our commitment to cultural diversity and inclusion, and that will help enhance media literacy among the UK population as a whole.

The development of strategy is, of course, informed by an analysis of the current performance of the UK film industry and the impact of UK film culture. That is one reason why the statistics produced by our Research and Statistics Unit are so invaluable.

The statistics are also a crucial tool in enabling those within the industry and working in film culture and education to plan and develop their business and policies. The provision of these statistics is an excellent example of the way in which the UK Film Council is now delivering significantly enhanced value to its external stakeholders.

This is the last introduction I shall be writing to this publication. And by the time it is published, I shall have retired from the Board after five years as UK Film Council chair. I look back with considerable pride on what we have achieved in a relatively short space of time and I'm extremely grateful for the work put in by all my fellow Board members and by the UK Film Council staff – effort that has paid real dividends.

We have brought structural coherence to the landscape of policy and public funding for UK film – something that was clearly absent when we began our work. We have made targeted and effective interventions in virtually every part of the film sector from developing new creative talent through to cinema exhibition. And we have laid out a clear path for the delivery of public

policy objectives for the UK film industry and for UK film culture and education over the next few years.

During the year, we unveiled a new strategy in partnership with Skillset for developing the film workforce backed with serious investment; saw a fundamental review of the British Film Institute; worked with industry and Government to secure a new tax mechanism for film; and implemented a radical support scheme for the distribution of specialised films.

However, a great deal more remains to be done to maximise the potential of UK film at home and around the world. As I said in my presentation at BAFTA in November 2002, the UK Film Council exists to serve our industry and to advise Government. But we can't be the industry, or define film culture: the UK Film Council exists only to encourage an environment in which industry and culture can flourish and thrive.

Over the next four years, therefore, the task of Stewart Till CBE, the new Chair, and the entire Board will be to build upon what we've already achieved and I wish them every success. I think it is true to say that whilst the funding landscape is clearer and more equitable than ever before, the real prize – closer integration across the industry, and in particular, stronger lines between the finance, production and distribution sectors – is still to be won.

For the moment the 'cottage industry' of production still prevails and until that structure changes there will always be a need for a UK Film Council to stimulate change and to challenge the industry to raise its game.



Sir Alan Parker CBE  
Chairman  
30 July 2004

# Chief Executive Officer's review

As this publication goes to print, we are releasing our second three-year strategic plan (available at [www.ukfilmcouncil.org.uk](http://www.ukfilmcouncil.org.uk)) which sets out the funding and policy priorities for the UK Film Council for the next three years (2004 to 2007).

During our first three years (2000/03), we totally restructured the way that public funding is invested in a range of film initiatives, including script development, film production, and the development of film in the English regions. That first stage of our work has been successfully completed so now we move on.

Our funding and policy priorities going forward will encompass all of the initiatives created in our first three years. In addition, however, we are adding a new focus on audiences, skills development, media literacy, diversity and inclusion, and international partnerships. As usual we will pursue these priorities in partnership with both private and public sector stakeholders.

Among our pre-existing activities, I am particularly pleased with the annual £7.5 million of investment to support film development in the regions through the nine English Regional Screen Agencies (RSAs). These organisations support a wide variety of initiatives, including cinema exhibition, film education, film archives and heritage, film production, script development and locations services. Operating at a local level, the RSAs work closely with local communities and businesses. Collectively the agencies have raised the profile of film within the English regions and they have also delivered £6.5 million of additional annual investment in the last year. They are a testament to intelligent regionalism.

2003 was also a record year for film production for the UK as a whole, with £1.17 billion invested in the production of 177 films. In truth, much of the sustained growth in the production sector and services infrastructure over the past five years has been catalysed by tax policy, which remains the single most important lever for driving our industry forward. In anticipation of the automatic expiry of the Section 48 tax relief in 2005, we have also been working during the past year with the DCMS, the Treasury and key industry partners to make the case for a new fiscal incentive to

promote the production of lower budget British films and to complement the ongoing Section 42 incentive that attracts bigger, mainly US studio-backed, British films into the UK. That case was made effectively during 2003 with the result being the announcement of a new tax credit to support indigenous UK film productions which will pass into law during 2004/05.

The Government has also noted a structural disconnection between the production and distribution sectors which continues to inhibit industry growth. Discussions aimed at improving the effective distribution of British films remain ongoing. In short, the future looks positive despite the short-term crisis created by the sudden exclusion of so called 'tax partnership' funding for British films early in 2004. This made for an extremely difficult year for the indigenous production sector although, as usual, the industry looks set to weather the storm.

Over the past three years the UK Film Council has also directly supported a wide range of films with National Lottery funding through our Development, New Cinema and Premiere production funds. Films such as *Touching the Void*, *Bend it Like Beckham*, *Young Adam*, *The Magdalene Sisters*, *Gosford Park*, *Bloody Sunday*, *Sylvia*, *Noi the Albino*, *L'homme du train*, and Lottery-funded franchise films such as *28 Days Later*, *In this World* and *Girl with a Pearl Earring* have all attracted critical acclaim and substantial box office takings around the world.

Our commitment to supporting British filmmaking talent will of course continue through our development and production funds, and in the coming months British talent will be showcased to the world in new UK Film Council-backed films such as Mike Leigh's *Vera Drake*, Charles Dance's *Ladies in Lavender*, Gary Chapman's CGI animated *Valiant*, John Stephenson's *Five Children and It*, Saul Dibb's *Bullet Boy*, Amma Asante's *A Way of Life*, Michael Winterbottom's *Code 46*, Michael Radford's *The Merchant of Venice* and Christopher Smith's *Creep*, to name but a few. In order to support the development of film companies that can nurture films through the lengthy but essential process of script development, we also recently announced a new stream of funding for companies with slates of projects. This will complement the single project development funding stream, which will remain in place.

However, supporting film production is only one way of helping to achieve our objectives, where success will not be determined solely by investing relatively small amounts of public money. Three big problems, which have held back the development of the UK film industry, were outlined by our Chairman, Sir Alan Parker CBE, at the end of 2002. Put simply, these are to improve the effective distribution of UK films, at home and abroad; to create a favourable operating environment for the UK film industry (including fiscal incentives and a more strategic approach to co-production); and for better training of our workforce. Our efforts on the new tax incentive, the current co-production policy review with the DCMS and our new training strategy are all key to dealing with these issues.

In particular, investing in skills development of the UK's film workforce (present and future) is crucial. Historically, the success of the UK film industry has been derived from the high quality expertise and experience of its skills base. Ensuring that the UK film industry can compete on an international level in all areas is essential to building our industry. With Skillset (the Sectors Skills Council for the audiovisual industry) and all the key industry partners, we developed and launched a coherent skills strategy in 2003 backed by a National Lottery investment of £32.5 million over five years. The implementation of that strategy has now begun.

Separately, we also aim to lead the way in making interventions across the board to improve diversity and inclusion, media literacy and film education and appreciation in the broadest sense.

We are now seeing progress across these particular areas in a number of ways.

Our detailed plans aimed at improving diversity and inclusion across the industry were set out in our strategy *Success through Diversity and Inclusion*, published in November 2003, and we are now working with the industry to help change attitudes and working practices. Our aim is to deliver an industry workforce that more accurately reflects the make up of the UK population and ultimately we aim to ensure that a more diverse range of British films is offered to audiences across the UK.

Offering opportunities for people to learn more about film in a variety of ways and environments is also central to developing film in the UK. Our key strategic partner in achieving these goals is the British Film Institute (*bfi*), which announced in 2004 the results of a strategic review, setting out how the organisation will become more outward-looking and work in partnership with others in order to promote film appreciation and to broaden the availability of our television and film culture and heritage.

Inform and Empower, a key conference tackling the importance of media literacy, was also held with the *bfi*, Channel 4, the BBC and Ofcom early in 2004, and we invited stakeholders in industry, education and culture to develop the case for promoting the concept of media literacy and to underline its importance to all citizens in the UK. A task force has now been established to move these proposals forward.

Over the next three years, we will also continue to support the First Light initiative to give young people across the UK and from all backgrounds the opportunity to make films, and in so doing to learn about the skills and processes that underpin the construction of images and narrative. Since First Light was launched, almost 7,500 young people have now made short films using digital technology.

Turning specifically to film audience development, we also set up in the past year a series of radical new initiatives through our Distribution and Exhibition Department.

Last year, UK cinema-goers made 167 million visits to the cinema, yet large areas of the UK, especially rural locations, still have no convenient access to cinemas. Through a £500,000 digital fund for non-theatrical exhibition, operators such as film clubs and local film societies, community groups and mobile cinemas can now offer new films to people living in areas without a local cinema.

Also, as part of our National Lottery-funded Cinema Access Programme, 78 cinemas (one in seven across the UK) are being equipped with captioning and audio-description equipment to improve facilities for

## Chief Executive Officer's review continued

cinema-goers with impaired hearing and sight. In addition, a web-based film information service has also been developed to inform those with sensory impairments about films being screened at local cinemas in England.

In July 2003, we also announced plans to invest £13 million of National Lottery funding (through Arts Council England) to establish a Digital Screen Network across the UK. This world-first initiative will maximise the advance of digital technology to increase the opportunities for audiences to see specialised and art-house films on around 250 digital screens across the UK (over a quarter of all cinema sites). The implementation of this strategy is now underway and this support for high quality and cost-effective digital projection and distribution aims to offer UK film audiences a broader selection of films than ever before.

Also, in order to support and stimulate the specialised distribution and exhibition sector, we are providing financial support to expand the range of films on offer to audiences across the UK. Films including *Bad Education* (Spain) *Good Bye Lenin!* (Germany), *Whale Rider* (New Zealand), *Capturing the Friedmanns* and *The Station Agent* (US independent), *Zatoichi* and *Spirited Away* (Japan), *Swimming Pool* (France), *Barbarian Invasions* (Canada) and *Respiro* (Italy) were made available to many more cinemas and, therefore, larger audiences during 2003 through our Lottery Specialised Prints and Advertising Fund.

Our commitment to broadening opportunities for people to see films also encompasses the important role that public service broadcasters have to play, both as financial investors in British films and also as distribution channels for films to reach audiences. Film and television are an essential part of national cultural identity and, following our representations, the Communications Act incorporated a clause specifying that Ofcom should consider the commitment to film of terrestrial broadcasters when examining how they meet their public service obligations. We are now in discussions with both Ofcom and broadcasters as to how the new law will work.

On a very different note, film theft and piracy also emerged at the top of our agenda during the last year. In September 2003 we set up an Anti-Piracy Task Force comprising senior representatives from across the film sector. This Task Force has developed a series of practical recommendations to combat both physical and online piracy, and these recommendations will be published later this year.

The Board and staff of the UK Film Council know that the organisation still has a great deal more work to do on behalf of film in the UK, with the added challenge of balancing funding priorities in the context of a reduced income from the National Lottery. But I remain confident and optimistic that our work will continue to deliver real benefits for all our stakeholders.

Finally I would like to pay tribute here to the UK Film Council's founding Chairman, Sir Alan Parker CBE, who after six years of public service stepped down in July 2004. Without him there would have been no UK Film Council as we know it, and the good start we have made would simply never have happened. It was a pleasure and a privilege to work with Alan, first at the *bfi*, and then in building the UK Film Council into the strong and useful body it has quickly become. I shall miss his guidance and his wisdom enormously.



**JOHN WOODWARD**  
Chief Executive Officer  
10 September 2004

## Summary of activity

### Policy and funding priorities at a glance

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

Funding priorities	Goals	Funds/year
British Film Institute	To champion moving image culture in all its richness and diversity, across the UK, for the benefit of as wide an audience as possible and to create and encourage debate	£16,000,000
Distribution and Exhibition Fund	To offer a more diverse range of films to a broader UK audience	£8,000,000
Premiere Fund	To assist the production of British or European feature films that can attract audiences the world over	£8,000,000
Regional Investment Fund for England	To co-ordinate film policy and strategy across England	£7,500,000
Film Skills Fund	To ensure an adequate supply of skilled and talented professionals	£6,500,000
Lottery Franchises	To conclude UK Film Council cash investment leading to the creation of three sustainable UK film companies	£5,566,666
New Cinema Fund	To support creativity, innovation, new talent and 'cutting edge' filmmaking	£5,000,000
Development Fund	To broaden the range and ambition of projects and talent being developed	£4,000,000
First Light	To offer children and young people the opportunity to participate in filmmaking	£1,000,000
Nations	To co-ordinate film policy and strategy UK-wide	£505,000
Sponsorship	To help promote targeted showcase film events	£400,000
Publications Fund	To improve the quality of discussion, information and debate about film	£100,000

# The role of the UK Film Council

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

The UK Film Council's Stage Two strategy set out a challenging vision for a globally competitive UK film industry, founded on the three guiding principles of Sir Alan Parker's November 2002 keynote address, *Building a Sustainable UK Film Industry*:

- A distribution-led approach for the commercial UK film industry that stimulates an environment in which British films maximise their potential with audiences at home and around the world;
- Ensuring that the UK has the best-equipped, most highly-skilled and flexible film workforce in the world, in areas ranging from script development, through to production, post-production, distribution and exhibition; and,
- Maintaining and enhancing the industry's infrastructure to consolidate the UK as a centre of global film activity.

During the year the UK Film Council passed a number of key Stage Two strategic milestones.

The Tax Strategy Group, operating under the aegis of the Department for Culture, Media and Sport (DCMS) and including representatives from the British Screen Advisory Council (BSAC) and the producer trade body Pact, submitted a robust analysis of the market failure affecting film and proposals on future fiscal policy to support UK films to Government. In response, in the 2004 Budget, the Government indicated that it would be introducing a new fiscal mechanism to support indigenous UK films after the expiry of Section 48 in 2005. The group is continuing to work with Government to help develop this mechanism.

Following representations, Government included a specific reference to film in the 2003 Communications Act. Consequently, terrestrial broadcasters must now outline their policy for film as part of their public service

obligations and detailed work is now taking place with both Ofcom and the broadcasters.

Working with other European national film agencies, the organisation secured the retention of current European rules for the public funding of cinema.

An anti-piracy task force was established, with representatives from key film and video industry bodies under the chairmanship of distributor Nigel Green, to ensure that Government, industry and public sector bodies work together to tackle the copyright infringement affecting the UK film industry. The task force commissioned a comprehensive study of film theft in the UK to inform future initiatives in this area.

The work of the Research and Statistics Unit (RSU) underpins the development and delivery of the UK Film Council's policies and strategies. During 2003/04 the RSU initiated a major study examining the economic impact of the UK's screen industries (in partnership with the English Regional Screen Agencies, Regional Development Agencies, Northern Ireland Film and Television Commission, Pact and the DCMS), and with the British Film Institute (*bfi*), began a study of the social and cultural impact of local cinemas.

In October 2003, the UK Film Council consulted on a three year plan, *Three Years On*, to gauge stakeholders' views on the organisation's future funding and policy priorities.

## Diversity and inclusion

Diversity is a catalyst for creativity and is key to the success of the UK film sector, and the UK Film Council is committed to promoting diversity and social inclusion through all its strategies and funded programmes.

In *Success through Diversity and Inclusion* (November 2003), the UK Film Council set out a strategy with the key goals of retaining a diverse workforce; ensuring full and equal access to film for all audiences; and addressing issues of content and portrayal.

To support the strategy's development, the UK Film Council created a forum to ensure leadership on diversity in film, including chief executives and senior managers of

key sector organisations, employers and representative bodies. Through this forum it plans to develop an equality standard for the industry. The organisation has also strengthened its funding agreements to ensure that National and Regional Screen Agencies deliver their own diversity strategies.

Audience and workforce diversity came under scrutiny in a number of separate research initiatives in 2003/04: the ethnic and disability characteristics of film audiences were explored via an ongoing panel survey; and work began with Skillset on a project measuring the diversity of the film workforce. Barriers to success faced by black and ethnic minority-led film and television production companies were also investigated in a joint project funded with Pact.

## Nations and regions

Embracing the wealth of talent and opportunities across the UK, and delivering on all its objectives throughout the nations and regions, are UK Film Council priorities. The three National Screen Agencies, the Northern Ireland Film and Television Commission, Scottish Screen and Sgrîn Cymru Wales are key partners in that work.

The National Screen Agencies are autonomous organisations with strong links to the devolved political and governmental structures in the nations. These links add greatly to their ability to work effectively with the UK Film Council in key areas such as exhibition, film heritage, education and the development of skills. Shared priorities include promoting diversity and inclusion in relation to film and the moving image and continuing to develop initiatives to broaden access for audiences to specialised film.

Across the English regions the UK Film Council's key partners are the nine Regional Screen Agencies (RSAs). During 2003/04 it invested over £7.5 million in the RSAs via the Regional Investment Fund for England (RIFE).

The RSAs have an overarching role to support all moving image activity in their regions and to act as local advocates for film and the moving image. They support a wide variety of initiatives including cinema exhibition, film education, film archives and heritage, production, script development and locations services. They work

closely with communities within their regions to identify and challenge barriers to participation in the film industry and culture, and to raise the profile of film within regional political and governmental agendas.

The RSAs are: EM Media, Film London, Northern Film and Media, North West Vision, Screen East, Screen South, Screen West Midlands, Screen Yorkshire and South West Screen. The RSAs work together through Screen England, a joint initiative which offers the agencies a common voice and a united presence to promote the English regions to the global film industry.

Many RSAs have sourced additional large production and development funds with investment primarily from Regional Development Agencies and Europe. In total, in 2003/04 the RSAs used UK Film Council investment to leverage just under £7.5 million of additional investment.

## Culture and education

The British Film Institute (*bfi*) is the UK Film Council's key UK-wide partner in developing UK film culture, heritage and education.

The *bfi*'s two main aims are to improve the quality and status of film education, both formal and informal, in the UK and to increase and broaden access to the collections of moving image material which the Institute preserves and holds for the nation.

Following the April 2003 National Audit Office report (*Improving access to, and education about, the moving image through the British Film Institute*), the UK Film Council and the DCMS supported *bfi* chair, Anthony Minghella CBE, in his fundamental review of the institute.

Following the review, the *bfi* announced a series of initiatives to create a more outward-facing, access-focused and partnership driven organisation, including:

- Radically re-orientating the National Film and Television Archive with a new emphasis on curating and interpreting the *bfi*'s collections to increase access through distribution;

# The role of the UK Film Council continued

- Creating a network of archive portals (or mediatheques) across the UK where people will be able to view on demand otherwise unavailable classic film and television from the national and regional archives;
- Creating 'virtual *bfi*' featuring educational resources, a web presence for young adults, web casting of *bfi* events, and opportunities for creative experimentation in the moving image;
- Creating a partnership office to be a single point of contact for colleagues in the nations and regions and an advocate for a sustainable and vibrant moving image sector across the UK;
- Focusing on young adults, with a dedicated office to bring the perspective of young audiences to the heart of the *bfi*;
- Support for the creation of a flagship centre for film and the moving image, and development of a 'test bed' film centre on the South Bank, to include the National Film Theatre, exhibition and information zones, education facilities, an archive portal and improved public spaces.

The UK Film Council is particularly concerned with the learning needs of younger audiences. In association with the *bfi* it supports the work of Film Education, which promotes the study of film within schools, as well as the First Light young filmmakers initiative (see page 15).

The UK Film Council is developing a new education and literacy strategy in association with the *bfi*, DCMS, the Department for Education and Skills (DfES), First Light, Film Education and National and Regional Screen Agencies. The strategy's key aim will be achieving a more purposeful relationship between DfES-supported education and the huge resource that those working outside formal education can offer learners.

## Skills training

Historically the UK film industry's success has derived mainly from high quality workforce expertise, and so developing the UK's present and future film workforce is a key priority for the UK Film Council.

In its first three years the UK Film Council's Training Fund worked through more than 50 third-party organisations to deliver over 2,000 training places. It

sought to prioritise the film industry's script writing and development capacity by supporting training for script writers, script editors and development executives. The fund also enhanced the industry's professional and business skills through support for producers, business executives and distributors.

Partnership funding leveraged from a variety of public and private sources doubled the value of the UK Film Council's investment.

In 2003/04 these first three-year commitments entered their final full year of implementation. New activity was focused on working with Skillset (the Sector Skills Council for the audiovisual industry) and key industry partners to develop an industry-wide training and education strategy.

The ground-breaking, five-year UK film skills strategy *A Bigger Future*, launched in September 2003, is backed by £50 million in funding, (£32.5 million of it from the UK Film Council's National Lottery funding). The first priorities for the strategy are:

- Skillset Screen Academies: a network of centres of excellence in film in further and higher education institutions to provide quality, vocational skills-based training, linked to industry needs;
- Skillset Film Business Academy: focusing on management and business skills in distribution, exhibition and facilities;
- Skillset Guiding Lights: 50 big name industry professionals mentoring 30 writers, directors, producers, and actors; and 20 agents, distributors, sales agents, exhibitors, and business affairs new entrants each year;
- £1 million New Entrants Schemes in year one: to support a raft of structured new entry schemes in junior construction, technical, production and production accounting grades;
- Skillset Film Skills Trainee Network: 10 runner-level and 15 trainee-level new entrants will be talent spotted to benefit from support, advice, workshops, introductions to contacts and work experience placements;
- Accreditation of individual courses: a pilot in higher education screenwriting courses will launch in 2004;

- £700,000 for short courses in year one: to aid the continual professional development of the existing workforce; short courses in priority areas will be discounted and a bursary scheme will be made available for up to 500 individual practitioners;
- Skillset Training Consultants: advisors will be made available to small film businesses to help them organise in-house skills development;
- Skillset Training Management Grants: a select number of grants to employ in-house training managers will be available for larger companies in facilities, post-production, distribution and exhibition; and,
- Careers Information and Guidance: five film practitioners will be recruited and trained as careers advisors to offer face-to-face advice and guidance sessions.

## Developing better scripts

The Development Fund exists to broaden the range, ambition and diversity of UK film projects and talent. Specifically, it aims to improve the quality of British scripts available to the UK and international industry through targeted script development initiatives. The fund spreads its investment across three areas: single projects; on-going slate funding deals with production companies; and relevant training programmes.

In 2003/04 the fund received 1,053 individual submissions, offers of funding have been taken up by 123 single projects and a further 118 projects received support through slate funding.

To date 13 projects with Development Fund investment have been produced or were put into production including: Danny Boyle's *Millions*; Dominic Savage's *Love and Hate*; Emily Young's *Kiss of Life*; Peter Richardson's *Finest Hour* (aka *Churchill – The Hollywood Years*); and Amma Asante's *A Way of Life*.

The Development Fund continues to work across the breadth of talent within the UK and Europe, from first-timers to established filmmakers. Projects currently in development include documentary filmmaker Dan Reed's *Straightheads* (co-developed with FilmFour); BAFTA-winning short filmmaker Tinge Krishnan's *Little Sisters* (co-developed with WT2); *You Are Here*, Patrice Leconte's

English-language remake of *Monsieur Hire*; *Perrier's Bounty*, the second feature from John Crowley (*Intermission*) and *Dan Leno and The Limehouse Golem*, from Terry Gilliam and Tony Grisoni.

In 2003/04 the fund continued its support for production companies through 20 slate deals. Set up for a three-year period, slate funding deals are tailor-made to support investment into overhead, business affairs and development expertise and script development. They are intended to help companies maintain a more regular flow of projects in order to increase their attractiveness to private sector financiers.

The fund will be announcing new slate funding measures in 2004.

The Development Fund has partnered with the nine RSAs to provide training support and development funding for up to 100 new writers from across England, and has hosted a range of networking opportunities for talent to broker relations between emerging writers, directors and producers. To date 80 newcomers to the industry have benefited from this method of forging new talent relations.

In addition, the fund also supports and develops programmes aimed at raising the UK industry's script-related capabilities. It also partners with the UK Film Council's other funds to support the Berlinale Talent Campus (see page 14).

Working with the UK Film Council's International Department, the Development Fund created a series of development workshops and seminars aimed at forging closer links between the UK and Indian film industries. The series, the first in a range of collaborations, was run in Mumbai in January 2004 with the participation of over 100 writers, directors and producers from the Indian film industry.

## Film production

The New Cinema Fund (NCF) exists to challenge and support emerging and established filmmakers to redefine creative excellence, develop film culture and explore the possibilities of new production techniques and formats.

# The role of the UK Film Council continued

It is committed to encouraging the work of filmmakers who have been traditionally under-represented in the industry, particularly those from the UK's minority ethnic communities and the nations and regions.

To date the NCF has received 1,270 applications for feature film funding and has made awards to 30 feature projects, 21 of which have been completed. In addition, the fund has supported the production of over 300 short films.

Films and filmmakers supported by the NCF garnered considerable critical acclaim during 2003/04, enjoying success with both UK and international audiences. Kevin Macdonald's *Touching the Void* became the most successful British documentary ever released in the UK, grossing over £2.5 million at the box office, and was voted best film at the 2003 Evening Standard British Film Awards and British Film of the Year at the 2004 BAFTAs. Crowley's *Intermission* generated a UK box office of over £1.9 million.

Feature productions backed by the fund in the past year include: Chris Cooke's low budget digital debut feature *One For The Road*, theatre director John Furse's *Blind Flight*; The Brothers Quay's *The Piano Tuner of Earthquakes*; Michael Caton Jones's *Shooting Dogs*; John Hay's *The Truth About Love*, Brad McGann's debut *In My Father's Den*; Sarah Gavron's *This Little Life*; and Sally Potter's *Yes*.

The fund also invested in two French-language co-productions shooting in 2003/04 – Lucile Hadzihalilovic's *Innocence* and Ziad Doueiri's *Lila dit ça (Lila Says)*.

The NCF participates in regular international exchanges such as the Independent Features Project No Borders market in New York and Cinemart at the Rotterdam Film Festival, supporting attendance by selected new UK producers.

The UK Film Council's development, production and training funds support the Berlinale Talent Campus, a five-day programme held during the Berlin Film Festival.

The Talent Campus provides an opportunity for emerging filmmakers to learn about filmmaking from some of the world's most successful practitioners.

In 2004 it welcomed 510 filmmakers from 84 countries.

Filmmakers' training is integral to the work of the NCF. Writer, producer and actress Amma Asante, who made her directorial debut with *A Way of Life*, was able to undertake a training course tailored to her specific needs at the National Film and Television School. Hers was one of the projects to benefit from the fund's pilot scheme which enables filmmakers to shoot a few key scenes to test the latest technology or rehearse new techniques prior to production. To date, the fund has supported the production of 18 pilots.

A key new partnership in 2003/04 with the BBC and the National Film Board of Canada created the £1.5 million World Documentary Fund, which aims to finance between four to six feature-length theatrical documentaries over a period of two years. The fund's first release, Vikram Jayanti's *Game Over: Kasparov and the Machine*, premiered in the UK at the Sheffield International Documentary Festival in October 2003. The NCF also supported Stephen Silver's *Diameter of the Bomb*.

The NCF's partnership with BBC Films and BBC Two, which enables artists from different disciplines to cross over into films, supported Sarah Gavron's *This Little Life* and Saul Dibb's *Bullet Boy*.

The NCF also supported the production and release of a digitally shot thriller, Bille Eltringham's *This is Not a Love Song*. The film's release combined the first-ever premiere via the Internet, with selected cinema screenings across the UK. The host site received more than 175,000 hits during the week the film was available. The premiere allowed for universal access, with the audio-described and subtitled versions of the film constituting 18% of all downloads.

The NCF's Digital Shorts Scheme, run in partnership with the National and Regional Screen Agencies, provides emerging filmmakers with the opportunity to explore the creative potential of new technology. The scheme produces over 100 films per year, and each region has designed a training programme specifically tailored to the needs of its filmmakers. Since its launch, the scheme has provided training opportunities for over 1,900 new filmmakers. In 2003/04 the NCF added London-based production and distribution agency B3 Media to the

scheme's network of partners to support first-time and emerging filmmakers from visible ethnic minority groups.

In addition to its digital scheme, the fund runs a small number of other short film programmes to support and develop emerging filmmaking talent including Cinema Extreme and the Completion Fund, both co-funded with FilmFour.

### First Light – young people making movies

The UK Film Council's most ambitious short film scheme is First Light, an annual £1 million training and education project that helps children and young people to make short digital films.

Managed by Birmingham-based HiBus First Light Ltd, the scheme provides opportunities for young people to experience writing, acting, directing, lighting, editing and exhibiting films with the guidance of professional filmmakers in association with youth agencies, schools, colleges, production companies and film clubs throughout the UK. To date, First Light has enabled almost 7,500 young people from across the UK to make almost 500 short digital films, 140 of which were produced during 2003/04.

Recent projects include: *Seeking (The Living Archive, Milton Keynes)*, a documentary exploring the public perception of asylum seekers and refugees made by six filmmakers aged 16 to 18 with English as a second language; and *Gearhead* (Knowle West Media Centre and Picture This, Bristol), made by four young people aged 14 to 16, which depicts the bleak day-to-day cycle of crime of a young addict.

First Light has also completed a number of other initiatives. In partnership with the Department for Education and Skills and Barclays Bank, First Light has produced a Film and Citizenship Screenwriting Kit and a competition for schools as part of the citizenship curriculum. First Writes, a screenwriting competition for 11 to 16-year-olds run in collaboration with Scottish Screen, offered the opportunity for successful scripts to be made into films.

As well as encouraging young people to learn about the moving image and explore the creative skills and processes involved in filmmaking, the scheme encourages

them to consider film as a source of employment. Young people from ethnic minority groups, with disabilities and from disadvantaged social backgrounds are key candidates for participation in the First Light scheme.

After its successful three-year pilot phase, which ends with 2003/04, the UK Film Council has made the scheme a core part of its strategy for 2004 to 2007. Over the next three years First Light will seek to secure third party financing and partnerships to increase the pattern of schemes and activities available to young people and groups which work with them.

### Supporting quality, popular films

The Premiere Fund aims to harness the vision and entrepreneurial spirit traditionally associated with the private sector of the film industry and take a proactive lead in financing British films and UK co-productions clearly aimed at popular, mainstream audiences.

In 2003/04, the fund invested over £8 million in film projects across a wide range of genres and from both first-time and established directors. Productions backed by the fund include: Mike Leigh's *Vera Drake*; John Stephenson's *Five Children and It*; Fernando Meirelles's adaptation of John le Carré's *The Constant Gardener*; Ealing Studios' CGI animated feature *Valiant*; Michael Radford's *The Merchant of Venice*; and Charles Dance's debut as a writer/director, *Ladies in Lavender*.

The Premiere Fund also helps UK filmmakers build international creative and business relationships through investing in commercial European co-productions. After successful screenings at the Venice, Toronto and London film festivals, the first foreign-language film backed by the fund, Patrice Leconte's *L'homme du train*, was released in the UK in April 2003. Non-English-language investments in 2003/04 include the Spanish-language *Seres Queridos (Only Human)*, co-produced by the UK's Greenpoint Films and Spain's Tornasol Films.

In addition to investing in high-profile projects aimed at an international audience, the fund remains committed to broadening the range of films on offer to domestic audiences. In 2003/04, it invested in two lower budget films from first-time directors aimed primarily at a UK audience: *Creep*, a genre horror film by Christopher

# The role of the UK Film Council continued

Smith, starring Franka Potente; and Andy Humphries's *Sex Lives of the Potato Men*, starring Johnny Vegas and Mackenzie Crook.

The fund also furthers the UK Film Council's overall training objectives and requires the films it backs to guarantee training places and to contribute to the industry's Skills Investment Fund. The fund supports such events as BECTU's Move on Up, the Berlinale Talent Campus (see page 14), Ateliers du cinéma européen (ACE), and other training initiatives.

The Premiere Fund is developing a strategy for diversity and inclusion and requires that all films in which it invests are delivered in a form accessible to those with sensory impairments. It has instituted an intern programme for applicants from minority ethnic groups to help to address the under-representation which clearly exists in this area of the industry.

## The production franchises

2003/04 marked the final full year of the six-year term of the three Lottery-funded film production franchises set up by Arts Council England – The Film Consortium, Pathé Pictures and DNA Films.

Since their formation the franchises have represented a key source of production finance for the UK industry, gearing up Lottery investment with private sector finance at a favourable ratio of 3:1. Over that time they have notched up some notable critical and commercial successes such as *In this World* (The Film Consortium), *Girl with a Pearl Earring* (Pathé Pictures) and *28 Days Later* (DNA Films).

Early in 2003 the UK Film Council agreed plans to extend the franchise contracts for The Film Consortium and Pathé Pictures up to March/April 2004, in order to enable the two companies to complete their current slates of projects. Pathé has publicly committed to continuing the production of quality, commercial British films beyond the terms of the franchise and The Film Consortium has undergone a corporate restructuring which will carry the company forward from March 2004 when the UK Film Council's Lottery funding commitments end.

In 2003/04 the UK Film Council also opened negotiations which were to lead to the creation of a new joint venture between DNA Films and US film company Fox Searchlight Pictures, to produce and distribute British films worldwide into 2004 and beyond. This new venture would bring \$25 million of US investment to match DNA's remaining Lottery funding, and provides access to a successful worldwide distribution network for UK filmmakers. The new venture would be achieved without any additional Lottery investment being made available beyond the original 1997 Arts Council funding allocation to DNA Films.

In 2003/04 Pathé Pictures released *Girl with a Pearl Earring* by first-time feature director Peter Webber, which was subsequently nominated for 10 BAFTAs and three Oscars®. Production was completed on five other new films: *Bride and Prejudice*; Roger Michell's Ian McEwan adaptation *Enduring Love*; Danny Boyle's comedy *Millions*; Peter Richardson's comedy *Finest Hour* (aka *Churchill – The Hollywood Years*); and Shona Auerbach's drama *Dear Frankie*. In addition, the company entered its third and final year of production on the CGI animated feature *The Magic Roundabout* which features the voices of Robbie Williams, Kylie Minogue and Joanna Lumley.

Releases from The Film Consortium in 2003/04 were Stephen Fry's *Bright Young Things*, and a 3D IMAX nature feature, *Bugs!*, narrated by Dame Judi Dench. Its previous release, Michael Winterbottom's Afghan refugee story *In this World* (winner of the Golden Bear, Berlin Film Festival 2003) continued its award success, winning the British Independent Film Award in 2003 and the BAFTA for best foreign-language production in 2004.

New productions include: John Boorman's South African drama *Country of My Skull* starring Samuel L Jackson and Juliette Binoche; Pawel Pawlikowski's romantic coming-of-age drama *My Summer of Love*; Saul Metzstein's comedy *Guy X*; and Vincent Ward's New Zealand epic *River Queen*. The Film Consortium's sales arm, The Works, also handled titles including Michael Winterbottom's *Code 46* and Niki Caro's *Whale Rider* which went on to gross over \$40 million worldwide.

In 2003/04 DNA Films went into production on the first feature to shoot under its new venture with Fox

Searchlight, *A Way through the Woods*, written and directed by Julian Fellowes and starring Emily Watson, Tom Wilkinson and Rupert Everett.

## Distribution and exhibition

Mainstream, US studio-distributed films account for the majority share of UK cinema admissions. Specialised distribution and exhibition sector is a small, fragile and risky business sector which struggles to grab visibility for its product.

Consequently, the UK's diverse cultural mix is not properly reflected in the range of films available on screen and large areas of the country, especially very rural locations, have little if any convenient access to a cinema.

The UK Film Council's key aims within distribution and exhibition are to:

- Ensure that a broader and more diverse range of films is available for audiences to view across the UK;
- Develop audience appreciation, enjoyment and understanding of film;
- Increase audience uptake of specialised films and thereby help increase levels of cinema-going in the UK;
- Provide greater opportunities for disabled people (particularly audiences with sensory impairments) to access and enjoy cinema; and
- Encourage exhibitors, distributors and broadcasters to engage more fully with a diversity of audiences and to value the longer term goals of audience development.

These objectives are delivered by the Distribution and Exhibition Department through a range of initiatives developed in consultation with the industry, supported by £3 million a year of UK Film Council investment and £15 million of Arts Council England capital funding.

The Digital Screen Network (DSN) is the cornerstone of the UK Film Council's strategy to bring a broader range of films to a wider range of UK cinemas. The initiative aims to increase the opportunities for audiences to see specialised and 'art-house' films by equipping up to 250 screens in 150 existing cinema sites across the UK with the latest digital cinema equipment.

Launched in 2003, the Specialised P&A Fund supplements distributors' own investment in release and marketing costs for specialised films. It aims to encourage wider releases and enhanced promotion in an effort to reach audiences which might not be aware of, or have the opportunity to view these films. The fund has backed the release of 15 films that collectively have realised around £12 million at the UK box office. The supported films have included *Bad Education* (Spain), *Good Bye Lenin!* (Germany) and *Whale Rider* (New Zealand).

The department also supports the UK Film Distribution Programme which encourages the wider release of new British films with significant commercial appeal by underwriting any shortfall between rental incomes received and final release costs. The first film released under the scheme was Stephen Fry's directorial debut *Bright Young Things* (September 2003) which generated £1.1 million at the UK box office.

In 2003/04, 78 cinemas in England were awarded grants through the Cinema Access Programme (CAP) to purchase new digital equipment that would increase access for those with auditory or visual impairments. The programme also helps distributors fund the production of subtitle/audio description CD-ROMs for smaller, independently produced films released on less than 100 prints and has supported the development of a web-based information service – [www.yourlocalcinema.com](http://www.yourlocalcinema.com) – that informs those with sensory impairments about the availability of subtitled and audio described films.

The department also supports film exhibition activity outside the traditional cinema model through its Digital Fund for non-theatrical exhibition, helping to underwrite the costs of new digital technology for film clubs and local film societies, community groups and mobile cinemas, all of which extend the range and diversity of cinema-going opportunities.

## The UK's position as an international business 'hub'

The future commercial success of the UK film industry will depend increasingly on its ability to position itself as a leading filmmaking centre within the global production industry. It is a key UK Film Council priority

# The role of the UK Film Council continued

to ensure the development of the UK as a European hub for international film business, a natural destination for international investment and a first-choice supplier of skills and services to the global market.

The UK Film Council has placed an increasing emphasis on the UK's relationship with film industries and creative communities throughout the world. To provide a single, recognisable UK film agency identity, in May 2003 the organisation added UK to its previous Film Council designation, and renamed its inward investment arm, (formerly the British Film Commission), UK Film Council International, which took on a wider international brief including export promotion.

The massive growth in co-productions between the UK and other countries shows clearly that UK producers are partnering with their overseas colleagues to a degree never seen before. There have been specific problems, however, within the co-production framework under which many of these partnerships take place.

In the past year, the UK Film Council's International Department has been working with the DCMS to tackle these issues, and to develop clear proposals for the future application of film treaties. In November 2003, Films Minister Estelle Morris announced a root-and-branch review of the UK's international film co-production treaties, to be carried out jointly by the DCMS and the UK Film Council.

In November 2003 the department published a report, *Post-production in the UK*, which outlined the key findings of a research study, commissioned by the UK Film Council and the Department of Trade and Industry (DTI) in 2002/03, to analyse the scale and size of the sector in the UK.

Following the publication of the report, the trade body, UK Post, was established in December 2003, with the support of the UK Film Council and the DTI, to represent the sector. Seventy per cent of the UK's top 50 post-production companies have joined the new body, including the BBC and ITV plc.

## The USA

Production activity in the UK based around international films – mainly US financed films – such as *Harry Potter* and *Phantom of the Opera* continues to be the most important driver of the UK's film production infrastructure. Despite increased international competition, 2003 saw an enormous increase in the levels of British qualifying UK inward investment – up by 85% on 2002 to over £410 million. There was also substantial growth in both the number and value of US-backed co-productions.

The USA is a hugely important source of inward investment, effectively sustaining much of the UK industry, making building and strengthening relationships between the UK and USA a priority.

In 2003 the British Film Office in Los Angeles became the UK Film Council US, working to help develop relationships with the US film industry and to promote British films, film talent and skills. It gathers information on US film-related policy, provides assistance to UK filmmakers visiting the USA, and works with UK Film Council International to spot and attract inward investment projects into the UK.

## Europe

With around 80% of key policy decisions affecting the UK film industry made in Europe, influencing European film policy is vital.

In 2002 in collaboration with the Centre National de la Cinématographie (CNC), the UK Film Council brought together a new alliance comprising the public film agency directors from each of the then 15 EU member states. In 2003/04 the network made a successful case for the maintenance of the current regime of state aid for film, and made arrangements to expand its membership to include agency directors from the accession member states.

The UK Film Council also contributed to the UK and European negotiating stance on GATS audiovisual issues and has strengthened its links with the European Commission and European Parliament. It continues to host and manage the UK MEDIA Desk which enables the British audiovisual sector to maximise its access to MEDIA

funding, and is actively engaged in the consultation to develop the next EU-funded MEDIA Programme.

The UK Film Council continues to work to develop co-distribution arrangements with key European partners and relevant European film agencies to improve the circulation of British films (and, in particular, specialised British films) across Europe, as well as to provide better access for UK audiences to non-British European films. The first of these agreements was signed with Italy in 2003/04. Equally, through Lottery funded film investments such as *Seres Queridos (Only Human)* and *Lila dit ça (Lila Says)* the UK Film Council continues to help UK producers build bridges with their counterparts in mainland Europe and to encourage long-term creative and business relationships.

## Film export promotion and international marketing

In 2002 the UK film industry exported £656 million worth of services, with £434 million coming from royalties and £222 million from film production services. The film industry made a positive contribution to the UK balance of payments with a trade surplus in 2002 of £186 million. The USA was the largest market for UK film exports, taking 48% of total exports in 2002, while the EU was the second largest market, taking 34% of the total.

Despite this, the UK has long had a piecemeal approach to film exports with responsibility for export promotion spread amongst disparate government departments and bodies including the British Council and Trade Partners UK. A new Film Exports Group, set up in 2002, is now working to develop a co-ordinated strategy for film export and promotion with regard to British films, British talent, British facilities and services, and British creativity and skills. Membership of the group comprises the key public sector players, as well as sales agents, filmmakers and distributors.

To complement the work of the Film Export Group, the UK Film Council undertook a number of initiatives in 2003/04 to explore relationship-building with key emerging markets including India, China and South Africa.

# Monitoring & evaluation

## Introduction

During the year the performance measurement framework was firmly established for all activities; both those directly provided by the UK Film Council and those delivered through partner organisations. This has enabled the UK Film Council to more effectively:

- Review the progress being made in delivering projects and programmes against Lottery and grant-in-aid funding aims and objectives; and
- Identify areas for improvement and promote examples of best practice.

The set of key performance indicators, agreed in 2002/03, for all activities now allows for a consistent approach to monitoring performance against the UK Film Council objectives and wider DCMS priorities.

During the year, completion monitoring was undertaken into all programmes and projects funded since April 2000. A selection of these is detailed below.

The monitoring and evaluation function was delivered using both internal staff and independent consultants who are able to provide detailed knowledge and expertise whilst evaluating objectively the progress being made.

## First Light Initiative

As part of the ongoing monitoring and evaluation of First Light, during the year a report\* was concluded which further explored the main outcomes and wider impact on the young people participating and also on the organisations and stakeholders involved. The report concluded that there is a wide range of beneficial outcomes attributable to First Light, including:

- Technical benefits
- Educational benefits
- Social benefits
- Cultural benefits and
- Economic benefits

## Production Funds

During the year the UK Film Council undertook an initial completion monitoring survey which was designed to gather feedback from funding recipients.

The monitoring exercise was designed to gather information on customer/recipient satisfaction with the service provided by the UK Film Council, to provide information with regard to diversity and inclusion, and also to provide useful information on aspects of the projects funded.

The results indicated that the great majority of respondents are satisfied with their experience of the UK Film Council Lottery funding process and suggests the process is working well and applicants are happy with the services they are receiving.

Specifically, development projects supported by the UK Film Council have tended to progress further once funding has been completed. Furthermore, lottery funding has provided greater opportunities for first-time directors and producers.

## Training – Berlin Talent Campus

The aim of this monitoring project was to enable the UK Film Council to evaluate the success of the Campus and to identify possible areas of improvement to be fed back to the Campus organisers. The report provided an analysis of the UK participants, their attendance and rating of the events on offer and their views on administration and organisation. Of the total 64 UK participants, 46 replied to the survey, which represented a 72% response rate. The success of the Campus was clearly reflected in the value it had for the participants and the almost universal high satisfaction level they reported from the experience.

## General performance indicators

- Administration costs for each completed application – £2,506;
- Sickness absence – 100% within target;
- Response to all enquiries – 100% within 20 day target;
- Average time taken to process applications – 28 days (100% within 40 day target); and
- Number of applications outstanding at end of the period as a percentage of applications received – 12%.

\* *Further Light on First Light (a content analysis of final, interim and mentors' reports)* – by Helen Finch and Bill Nottage, October 2003.

# Operating and financial review

## Summary of Results

Group income was down 4% (£2.1 million) to £55.9 million and expenditure unchanged at £56.1 million, resulting in a loss on ordinary activities before interest and taxation of £0.2m against a surplus of £1.9m last year.

The reduction in surplus is consistent with the UK Film Council's first three year plan as awards schemes were expected to take time to become fully established and expenditure would be higher in later years.

The UK Film Council was required by HM Treasury to adopt in full the provisions of FRS17 (accounting for pensions) and this resulted in a £0.2m increase in the after tax surplus of £0.2m to derive the total recognised gains for the year of £0.4m and a restatement of 2003 Recognised Gains to £2.0m (previously £2.3m).

## Income Sources

Exchequer Grant-in-Aid at £24.1 million was the same as the previous year, as DCMS allocated no increase to the UK Film Council in their SR02 spending review.

The UK Film Council receives 2.03% of the money available to distributors from the National Lottery. Lottery Income including NLDF balance investment returns and recoupment from film rights at £30.1 million was down 8% (£2.7 million). This fall reflects reduced share of proceeds available to distributors from the National Lottery in 2003/04 of 6% and a reduction in investment income of £2.4 million from progressive reduction in the UK Film Council's NLDF cash balances. These reductions were offset by an increase in recoupment from film rights of £1.3 million.

British Screen Group income was in excess of £1 million, an increase of 46% (£0.3 million) on the previous year.

## Grant-in-Aid Awards

Grant-in-aid awards during the year were £20.6 million, an increase of 3% in number to 39 and 1% (£0.3 million) by value. The largest awards were £14.7 million (72%) to the bfi to support the UK Film Council's cultural and educational objectives and the review of activities conducted by the bfi following

the appointments of a new Chair and CEO; £4.6 million (22%) in nine awards to the Regional Screen Agencies created from the UK Film Council's Regional Investment in England (RIFE) and awards totalling £0.5 million (3%) to the national screen agencies of Scotland, Northern Ireland and Wales and to the British Federation of Film Societies. The British Film Office in Los Angeles, since renamed as the UK Film Council, US, and the Cinema Marketing Agency each received awards of £0.2 million and awards to other film organisations totalled £0.5 million.

The costs of the UK Media Desk are jointly shared with the European Commission and the UK Film Council's share was £0.1 million. A further £1.3 million was invested in International activities, including marketing activities and events to attract film production to the UK and promote UK films overseas and £0.3 million in a Research and Statistics unit to provide information for the benefit of the UK film industry.

## Lottery Applications

The UK Film Council received 2,201 direct Lottery grant applications – an increase of 5% over the previous year. These applications requested grants of more than £281m and although applications to the more established schemes, notably feature film, development and training, stabilised from prior years, applications opened for two new schemes for Distributors, Print & Advertising and UK Film Distribution, contributing to the overall growth.

Also, in 2003 the UK Film Council was itself appointed as a delegate by Arts Council England to distribute £15m of Film Capital Funds against objectives jointly agreed between the two Distributors. By the end of the financial year two schemes, the Cinema Access and Non-Theatrical equipment programmes, were operational and the UK Film Council had received 214 applications requesting £1.07m in grants. In addition, a major public procurement was launched to underpin a third scheme, the Digital Screen Network, which will become operative in 2004/05.

Applications to partners operating schemes on the UK Film Council's behalf under formal delegation agreements also increased. Hi8tus First Light Ltd, who are responsible for our young persons film-making initiative, received 182 applications, an increase of 67% on 2002/03.

# Operating and financial review

## continued

Also in 2003/04 all nine Regional Agencies became eligible to receive applications to their local Lottery schemes under their Regional Investment in England programmes and collectively, they received 1,103 applications during the year.

### Lottery Awards

A new Lottery award is not binding until contracts are signed and is treated as a 'soft commitment' within the financial statements. In 2003/04 the UK Film Council made new Lottery awards, classified as soft commitments, of £29.4m (2003 £26.9m) and the increase reflects the introduction of the new Distribution & Exhibition schemes during the year. The level of new awards was in excess of the UK Film Council's share of Lottery income which was £ 28.4 million including NLDF balance investment income.

The new awards comprise:

	No	£'000's
Feature Films & Development	166	21,488
Training (incl Bursaries)	161	837
Distribution & Exhibition	98	2,188
Delegations	11	4,820
Publications	7	100
	443	29,433

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

Lottery awards for projects not involving Film rights and charged to Expenditure were £7.1 million (2003 £5.5 million) an increase of 97% in number at 191 and 29% (£1.6 million) by value. These comprise awards of £1.0 million (2003 £1.5 million) from the UK Film Council's Training Fund, awards of £1.0 million (2003 Nil) from Distribution & Exhibition Fund schemes and awards of £0.1 million (2003 £Nil) from the Publications Fund. Also awards were made under delegation agreements to First Light of £1.0 million (2003 £1.0 million) and the nine Regional Screen Agencies of £3.5 million (2003 £3.0 million) in support of the RIFE programme.

### Lottery Film Rights

Feature film and development awards classified as hard commitments in the year amounted to £31.6 million (2003 £31.9 million). These rights, including those from prior year awards, were valued at the end of the year at £34.6 million (2003 £25.8 million) after provisions against recoverability from future participation revenues. The provision made of £19.0 million (2003 £22.5 million) was charged to Expenditure.

### Lottery – National Lottery Distribution Fund (NLDF) Balance

The UK Film Council made Lottery award payments of £47.4 million (2003 £28.5 million). These payments substantially reduced the UK Film Council's balance at the NLDF which fell to £44.3 million, a reduction of £31.3 million in the year. At the year end outstanding award commitments were £29.3 million (2003 £56.3 million) which represents 66% (2003 74%) of the balance held at the National Lottery Distribution Fund at the year end.

The UK Film Council benefits from participation in future revenues from the success of Film Rights awards and receipts are credited against Film Rights and only receipts in excess of the award are taken to Income. In 2003/04 £3.3 million in receipts were taken to Film Rights and £1.7 million taken to Income (2003 £6.8 million and £0.4 million respectively). These cash receipts are used before drawing down funds from the NLDF and allow the UK Film Council to plan future Lottery expenditure at levels above expected income from the National Lottery.

### Other Operating Expenses

These expenses cover the costs of the strategic activities of the UK Film Council and of administering the Group and its film portfolios. They also cover all expenses to administer Grant and Lottery Awards schemes including award application, assessment, approval, delivery, monitoring, evaluation and reporting. Operating expenses were £9.3million (2003 £7.9 million) and average headcount for the year was 90 (2003 – 84) with non-labour costs of £4.3 million (2003 £3.7 million). These increases reflect increased strategic film industry responsibilities, the addition of new Distribution & Exhibition Lottery award schemes and the development of the Arts Council of England delegation arrangements

for Film Capital. Of these costs, the Operating expense attributable to the UK Film Council's Lottery activities and charged to the separate Lottery accounts were £7.5 million (2003 £6.5 million).

### British Screen Group

The UK Film Council is responsible for managing the film rights assets and loan liabilities of British Screen Finance Ltd and its subsidiary companies. These assets produce recoupment income which serves to repay loans made to filmmakers. Where these loans have been repaid this recoupment is profit and is taken to Income. Income was £1.1 million (2003 £0.7 million).

Recoverability of loans from future recoupment income is also assessed at each year end and provisions of £0.6 million (2003 £0.4 million) were charged as Expenditure.

# Employment statistics

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

The numbers of:

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

2. Results of Monitoring carried out in 2003-04:

## 2.1 Staff in post as at 31 March 2004.

Ethnic origin and sex of all employees as at 31 March 2004

ETHNIC ORIGIN	TOTAL	ALL EMPLOYEES % OF TOTAL	TOTAL	WOMEN % OF TOTAL	TOTAL	MEN % OF TOTAL
African	2	2.2%	1	1.1%	1	1.1%
African and White	-	-	-	-	-	-
Any Chinese	-	-	-	-	-	-
Any Other	2	2.2%	2	2.2%	-	-
Bangladeshi	-	-	-	-	-	-
Caribbean	3	3.3%	2	2.2%	1	1.1%
Indian	3	3.3%	2	2.2%	1	1.1%
Other Asian	-	-	-	-	-	-
Unknown	-	-	-	-	-	-
White	80	89.0%	45	50.0%	35	38.9%
Total	90		52	57.7%	38	42.2%
Total (ethnic minority)	10	11.0%	7	7.7%	3	3.3%

# Employment statistics continued

## 2.2 Applications for Employment in 2003/04

Ethnic Origin of Job Applicants

Returned applications only, for 5 externally advertised posts in 2003/04

ETHNIC ORIGIN	PROCESSED	SHORT-LISTED	% OF PROCESSED	% OF APPOINTED	APPOINTED
African	10	1	2.3%	-	-
African and White	4	1	2.3%	-	-
Any Chinese	4	-	-	-	-
Any Other	7	1	2.3%	-	-
Bangladeshi	-	-	-	-	-
Caribbean	15	5	11.3%	1	20.0%
Indian	8	1	2.3%	-	-
Other Asian	6	-	-	-	-
Unknown	23	2	4.5%	-	-
White	214	33	75.0%	4	80.0%
Total	291	44	-	5	-
Total (ethnic minority)	77	11	25.0%	1	20.0%

## 2.3 Applications for, and numbers of staff receiving, training

Data collection of training applications and activity in 2003/04 was incomplete. Measures have been taken to properly record training application and activity for 2004/05.

## 2.4 Applications for Internal Promotion

All posts are advertised internally and externally and in 2003/04, 1 white female employee was promoted internally after selection for a vacancy advertised under this procedure.