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**Steve McIntyre**  
**Chief Executive**  
**London Film & Video Development Agency**  
**114 Whitfield Street**  
**London W1F 5RW**

**Our Ref: ERDF/96/01/82**

**Date: 17 December 1996**

**Dear Steve,**

**EUROPEAN REGIONAL DEVELOPMENT FUND  
 EAST LONDON AND LEE VALLEY OBJECTIVE 2 PROGRAMME**

**PROJECT: CENTRE FOR INDEPENDENT FILM, TELEVISION AND ELECTRONIC MEDIA**

- 1 I am pleased to be writing to you on behalf of the Secretary of State for the Department of National Heritage reference to the application by the London Film and Video Development Agency (LFVDA) dated 4 May 1995 for grant assistance towards the costs of the above project.
- 2 In this letter, the "Project" and the "Programme" are as shown in the heading to this letter. The "Secretary of State", the "Department", the "Applicant" and the "Application" are as shown in paragraph 1. The Application is taken to include amendments made in correspondence/discussions with the Department prior to the date of this letter.
- 3 This offer is subject to the British Film Institute signing the lease agreement for the occupancy of the Hoxton Square premises and sub-letting it to the London Film and Video Development Agency (LFVDA) by 31 December 1996.

**GRANT PAYABLE**

- 4 On the basis of the details set out in the Application and subject to the conditions set out in this letter and appendices, I am writing to offer grant assistance towards certified expenditure of eligible costs on the project up to the maximum level and as a proportion of expenditure defrayed as set out below.

| Eligible Expenditure | Grant             | Grant Rate |
|----------------------|-------------------|------------|
| £1,083,967           | up to<br>£433,586 | 39.9%      |

- 5 Appendix 1 sets out full details of the estimated eligible costs together with the expected phasing in accordance with the Application. Grant will only be paid in respect of expenditure defrayed. For expenditure to have been defrayed liabilities must have been incurred and discharged by payment or otherwise by the Applicant. Any expenditure incurred prior to September 1996 will be ineligible.

- 6 If additional funding becomes available for support under the Programme, the Department will consider whether additional support for the project should be provided. On the written approval of the Department, the levels of support shown in paragraph 4, the eligible costs in Appendix 1, and the performance targets shown in Appendix 2 may be amended.
- 7 The Secretary of State may reduce the final payment of grant if the total amount defrayed by the Applicant on the Project is less than the estimated total in Appendix 1. Despite the provisions of paragraph 4 the Department is under no obligation to pay more than 90% of the amount specified in that paragraph until the Project has been completed to his satisfaction and the independent auditor's report referred to at paragraph 9 below is produced.

#### HOW TO CLAIM

- 8 Claims should be submitted at quarterly intervals, unless the Secretariat agrees otherwise, (or in the event of a termination within 3 months of the date termination takes effect) on forms which will be supplied by this Office. The first return for this project should reach us by no later than 17 March 1997.
- 9 Each claim for payment must cover the whole of the period in question and must provide a detailed report covering actual progress made compared with forecasts in the application and supporting documentation; this offer and any monitoring criteria subsequently agreed with the Department. The report should include - in a separate note where it is not included on the claim form - a description of:
- progress on the Project including details of expenditure on eligible costs as outlined in Appendix 1.
  - progress towards achieving the performance targets set in Appendix 2.
  - an up-to-date estimate of the project costs indicating any significant variations in the amount or timing of these costs.
  - any change in the nature or scale of the project including an assessment of any change in the prospects of technical and commercial success.
  - any change or prospective change in ownership of the project or project assets.
  - [Private sector only] details of any other financial assistance received or likely to be received by the applicant towards the eligible costs of the project which were not disclosed prior to the making of this offer.
- 10 Where a claim is not submitted as scheduled, an explanation of the reasons for the delay should be submitted in writing together with an up to date report as described in paragraph 8.
- 11 An independent auditor's report (Appendix 3 sets out the necessary qualifications required for the independent auditor) must be submitted with the final claim. The auditor's report should either be the standard report in the claim form, where applicable or as set out in Appendix 3.
- 12 Non-public authority applicants. The Applicant's latest audited accounts must be supplied with each claim, unless these have already been supplied to the Department in connection with the application for assistance or an earlier claim for payment. If these accounts relate to a period ending more than 9 months before the date of the claim for payment unaudited or management accounts for the

latter period must be included. The Secretary of State for Europe and the Department of Agriculture, Fisheries and Food will have the right to inspect the accounts and other documents of the applicant and to require the applicant to provide such information as they think fit, and to be provided with such information as they think fit.

#### PAYMENT OF GRANT

- 13 Once a fully documented claim has been received, grant will normally be posted, or the claim rejected, within 30 days, unless it is necessary for the Department to seek further information to support the claim.
- 14 The Department accepts no liability in respect of loss attributable to any delay in the payment of claims or to any suspension, reduction or cancellation of grant.

#### EC REQUIREMENTS

15 The following EC requirements apply:

- a) **Structural Fund Regulations.** The requirements of Council Regulations (2052/88, 4253/88, 4254/88 as amended by Council Regulations 2081/93, 2082/93 and 2083/93), the conditions laid down in the Commission's decision of 16 December 1994, the normal operational practices and other guidance given by the Government apply to the award of this grant.
- b) **State Aid Notification.** No grant will be paid in respect of this Project until the Department has been informed of the European Commission's approval of the project under the Notification of State Aids procedure pursuant to Article 93(3) of the EEC Treaty, or the Department has formed the view that such notification is not required. Where the applicant is a public authority, the Department should be informed if the applicant has decided that they do not need to notify the project to the Commission.
- c) **State Aid Limits.** Applicants are required to abide by EC state aid limits.
- d) **Public Procurement.** Applicants must abide by relevant Directives on Public Procurement as from time to time issued by the EEC. A list of the current directives is attached at Appendix 4. It is the responsibility of the Applicant to ensure that they abide by the public procurement rules as the Department cannot guarantee the comprehensiveness of either the list of Directives or the description of the obligations in Appendix 4. It will also be necessary for you to complete, as appropriate, either a questionnaire on Public Procurement for projects above the thresholds in the Directives, or a declaration that the rules have been complied with for projects below the thresholds. Copies of the standard questionnaire and declaration are available from this office. If advertisement of contracts in the Official Journal of the European Communities is required, you must provide a copy of the advertisement before any grant has been paid.
- e) **Environment and water quality.** Measures relating to the improvement of the environment must be such as to ensure compliance with the requirements of Directives of the European Community relating to the environment and to water quality.

#### PROVISION OF INFORMATION, DOCUMENTATION, INSPECTIONS

- 16 Any material changes to the project or its phasing (including changes of more than 10% in outputs or costs and alteration to its proposed use, Project financing or ownership) must be notified to the Department at the earliest possible opportunity. The Applicant must comply within a reasonable

period with any requests for information concerning the progress of the Project in whatever form. The Secretary of State, the European Commission and the European Court of Auditors or his or their representative shall have the right at any time and from time to time to inspect the Project and to require such further information as he or they think fit, and to be provided with copies of such documents or items as they shall require.

- 17 The award of ERDF grant in respect of this project shall be notified by the applicant to anybody who has awarded grant (or to whom an application for grant has been made) in relation to the whole (or part) of the project.
- 18 Original documents relating to the implementation of the project and its financing should be retained until the end of December 2004. The applicant is required to comply with Article 23 of Council Regulation (EEC) No 2082/93, which sets out the European Commission's audit requirements.

#### PUBLICITY

- 19 The Commission's publicity requirements must be observed. Appendix 5 summarises these requirements. When claiming for the first time for this project the applicant should confirm that the publicity requirements have been complied with, as appropriate; and/or give details of any other form of publicity which the Applicant has or will be arranging to acknowledge the grant award. In accordance with normal practice, the European Commission will publish the Applicant's name, the amount of grant approved and the Article of the Treaty under which the grant is approved.

#### WITHHOLDING AND REPAYMENT OF GRANT

- 20 The Secretary of State reserves the right to withhold any or all of the payments and/or to require part or all of the grant to be repaid if:

a) he considers that:

- i) there is a substantial, or material, change in the nature, scale, costs, ownership or timing of the Project;
- ii) the future of the Project is in jeopardy; or
- iii) there is unsatisfactory progress towards completing the Project; or if the Project is not completed by 30 June 1997. However, before any such cancellation or reduction is made, the Department will seek an explanation for any delay; or

iv) there is unsatisfactory progress towards meeting the forecast outputs specified in Appendix 2; or

b) any of the information provided in the application for grant or in supporting or subsequent correspondence is found to be substantially incorrect or incomplete; or

c) the applicant receives grant from other Community Institutions towards project costs intended to be funded by this offer letter, unless the grant was taken into account in making this offer; or

d) the assistance exceeds European Community Aid limits to the extent that any grant paid should not have been paid or if the European Community Authorities judge that any grant paid should not have been paid; or if a decision of the European Commission or of the

European Court of Justice requires payment to be withheld or recovered; or

e) [Private sector only] any grant or other payment has been received or is, in his opinion, likely to be received, from any public authority and which he considers is payable towards the Project, to the extent of such payment. The applicant must inform the Department of such payments. The terms of this paragraph do not apply to grant or other payment whose availability and amount of which has been taken into account in making this offer; or

f) during its economic life, the project is used for purposes other than those specified in the application. The economic life of the project is taken to be

i) 20 years for capital assets, unless the depreciation period under standard accounting procedures is shorter

ii) the duration of a revenue project etc.

;or

g) within the period beginning on the date of this letter and ending 3 years after the date of the final payment of grant for the Project any of the events listed in Appendix 5 (Parent company and insolvency provisions) occur; or

h) the Applicant fails to comply with any condition in this letter.

21 Any over-payment of grant, must be repaid to the Secretary of State forthwith on his first demand or upon the Applicant becoming aware that grant has been over-paid, whichever first occurs.

#### LAST DATE OF RECEIPT OF CLAIMS

22 The project is due to be completed at the end of June 1997. The final claim should be submitted no later than the end of September 1997. Failure to submit a final claim by this date may lead to the Department taking action under paragraph 20a) of this letter and could lead to the Department taking action to recover the grant already paid. A final audited claim must be received before the Department is under any obligation to pay the final instalment.

#### AMENDMENTS TO THIS LETTER

23 No amendment or variation to the terms of this letter will be effective unless agreed in writing on behalf of the Secretary of State.

#### HOW TO ACCEPT

24 If you wish to accept this offer please confirm in writing by 17 January 1997, by signing and returning to me the enclosed copy of this letter, that the necessary steps will be taken to comply with the conditions contained in this letter. No payments will be made until you have agreed to accept the terms of this letter.

25 Any queries on the nature and terms of this approval should be referred to Ntando Ncube at the Government Office for London on 0171-217-3003.

Yours sincerely



Miss A J Stewart  
Department of National Heritage

**ACCEPTANCE**  
**(SIGN AND RETURN COPY OF LETTER)**

I accept the offer set out above and in the Appendices.

Signed

Director/Authorised Officer for and on behalf of London Film and Video Development Agency

Date

Bank Details

**PERFORMANCE TARGETS**  
**ELIGIBLE COSTS**

| <u>Performance Indicator</u>    | <u>Target</u>  | <u>Date</u>      |
|---------------------------------|----------------|------------------|
| Jobs created                    | 95.5           | 31 July 1998     |
| Jobs preserved                  | 37.5           | 31 July 1998     |
| New businesses                  | 40             | 31 July 1998     |
| SMEs assisted                   | 710            | 31 July 1998     |
| Sq. M industrial/business space | 1231           | 31 July 1998     |
| Building/                       |                |                  |
| Construction                    | 200,000        | 1,133,300        |
| Plant/machinery                 | 100,000        | 127,100          |
| Fees                            | 4,000          | 139,000          |
| Specialized                     |                |                  |
| development                     | 2,000          | 14,375           |
| Preliminary                     | 2,000          | 24,625           |
| <b>Total:</b>                   | <b>208,000</b> | <b>1,447,000</b> |

2. The net eligible costs of the projects which are eligible for assistance shall be subject to the following conditions and restrictions, which may be appropriate to meet the aims of such costs:

- any grant or other payment from any public authority or body or any other source, provided that it is not determined that HM Customs and Excise will be repaid;
- eligible expenditure on fees shall be limited to 2.5% of eligible costs;
- any grant or other payment from any public authority or body or any other source in respect of the Project to which the Secretary of State has not previously agreed;
- expenditure on goods bought, sold, or used for purchase, transport and credit facilities.

**ELIGIBLE COSTS**

- 1 The estimated costs of the project are set out below:-

**Details of Eligible Costs**

|                                    | 1996           | 1997           | Total            |
|------------------------------------|----------------|----------------|------------------|
| <b>Building/<br/>construction</b>  | 207,900        | 207,900        | 415,800          |
| <b>Plant/machinery</b>             | 163,500        | 163,500        | 327,000          |
| <b>Fees</b>                        | 134,303        | 4,000          | 138,307          |
| <b>Specialised<br/>development</b> | 154,713        | 11,660         | 166,373          |
| <b>Preliminaries</b>               | 31,487         | 5,000          | 36,487           |
| <b>Total:</b>                      | <b>691,907</b> | <b>392,060</b> | <b>1,083,967</b> |

- 2 The net eligible costs shall be the costs which are properly attributable exclusively to the Project excluding and deducting (as may be appropriate) from the amount of such costs:-
- input Value Added Tax (VAT) paid in respect of eligible costs may be included in claims, provided that it is not recoverable from HM Customs and Excise;
  - eligible expenditure on fees shall not exceed 12.5% of eligible costs;
  - any grant or other payment from any public authority received or receivable in respect of the Project which the Secretary of State decides should be deducted;
  - interest and service charges arising from hire purchase, leasing and credit arrangements;



- e) overheads included in the expenditure other than those which are:-
  - i) in respect of the Applicant's own labour;
  - ii) appropriate to the Project;
  - iii) not calculated to include any profit;
  - iv) not in excess of overhead rates applicable to similar work carried out by the Applicant; and
  - v) not in excess of 100% of the applicable direct labour costs;
- f) any addition for profit by the Applicant and profit earned by a company in the Applicant's group as a result of work relevant to the Project undertaken by the Applicant or sub-contracted to such company by the Applicant. For the purpose of this sub-paragraph "Applicant's group" means any holding company of the Applicant and any subsidiary of such holding company or of the Applicant; "holding company" and "subsidiary" having the meanings assigned to them in Section 736 of the Companies Act 1985;
- g) any costs in respect of the provision of accountancy services relating to the carrying out of audit work;
- h) any legal costs in respect of litigation.

3 The Applicant may include an appropriate amount for overheads when claiming in respect of the costs of its own labour, provided the Secretary of State may deduct from such overheads any amount which he does not consider fair and reasonable.

b. In every case the amount claimed must be shown to be reasonable and justifiable.

### AUDITOR'S QUALIFICATIONS

1. The qualifications for auditors as required under paragraph 9 of the letter are set out below.
2. Local Authority claims must be audited by an auditor appointed by the Audit Commission.
3. In the case of other public organisations, the auditor must be a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).
4. For other applicants, the auditor who makes the report required must be as follows:
  - a) an Independent Accountant eligible under the terms of Section 25 of the Companies Act 1989 for appointment as a company auditor. A person eligible under Section 34(1) of the Companies Act 1989 for appointment as auditor of an unquoted company (as defined in that Section) may only report on grant claims made by such a company or from organisations that are not incorporated under the Companies Act.
  - b) Reports on grant claims from applicants that are not incorporated under the Companies Act and where the total grant offer is not more than £25,000 may be made by (i) those qualified as defined above; or by (ii) members of the following specified accountancy bodies:
    - The Institute of Chartered Accountants in England and Wales
    - The Institute of Chartered Accountants of Scotland
    - The Institute of Chartered Accountants of Ireland
    - The Chartered Institute of Management Accountants
    - The Institute of Company Accountants
    - The Association of International Accountants
    - The Chartered Institute of Public Finance and Accountancy
    - The Chartered Institute of Certified Accountants.
5. In every case the accountant must be independent of the organisation claiming grant.

**THE AUDITOR'S REPORT**

Headed paper of the independent auditor  
[Address the letter to the Department]  
Date

I/We have examined the enclosed claim.

I/We have examined the related accounts and records of the Applicant and have carried out such tests as I/We consider necessary. I/We have obtained such explanations as I/We consider necessary.

(Subject to the observations in the attached report dated [DATE],) I/We are of the opinion that the financial information and the level of grant claimed are fairly stated and that the expenditure has been properly incurred in accordance with the offer letter date [DATE].

**Name for enquiries:**

The Applicant's accounts were prepared in accordance with the IFRS as required by the Financial Reporting Council. The accounts were prepared on the basis of the records of the Applicant and the information provided by the Applicant. The accounts were prepared on the basis of the records of the Applicant and the information provided by the Applicant. The accounts were prepared on the basis of the records of the Applicant and the information provided by the Applicant.

The Applicant's Director of Finance has provided the following information in relation to the accounts. The Applicant's Director of Finance has provided the following information in relation to the accounts. The Applicant's Director of Finance has provided the following information in relation to the accounts.

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PARENT COMPANY AND INSOLVENCY PROVISIONS

1 The Applicant ceases to be a subsidiary of any company of which it is a subsidiary at the date of this letter or the applicant becomes a subsidiary of any company of which it is not a subsidiary at the date of this letter. The word "subsidiary" shall be interpreted in accordance with the definition in Section 736 of the Companies Act 1985;

2 The Applicant, if a limited company, is the subject of a proposal for a voluntary arrangement or has a petition for an Administration Order or a petition for a Winding-up Order brought against it or passes a resolution to wind-up or makes any composition, arrangement, conveyance or assignment for the benefit of its creditors or purports to do so, or if a receiver or any other person is appointed in respect of its undertaking or of all or any of its property or if it does or suffers any act or thing substantially equivalent to any of the foregoing.

3 If the applicant, being a limited company, is unable to pay its debts as and when they fall due.

4 A bankruptcy order or a criminal bankruptcy order is made in relation to the applicant or a partner in the applicant partnership; the applicant or a partner in the applicant partnership enters into a voluntary arrangement with his creditors; or the applicant partnership is dissolved; or the applicant partnership or the applicant, being an unregistered company is wound up.

PROVISIONS RELATING TO THE APPLICANT'S STATUS AS A SUBSIDIARY OF A COMPANY

1. The Applicant shall be deemed to be a subsidiary of a company if it is a subsidiary of that company at the date of this letter or if it becomes a subsidiary of that company at any time during the period of the administration of the Applicant's estate.

2. In determining whether the Applicant is a subsidiary of a company, the provisions of section 736 of the Companies Act 1985 shall apply as if they were contained in the Companies Act 1985 as amended from time to time.

3. This offer of administration shall be subject to the provisions of the Companies Act 1985 relating to the duties of directors and officers of a company in relation to the administration of the company's affairs.

GRANT PAYMENT

1. The Applicant shall be deemed to be a subsidiary of a company if it is a subsidiary of that company at the date of this letter or if it becomes a subsidiary of that company at any time during the period of the administration of the Applicant's estate.

Blair & Partners

Grant

London

12th March 1985

12th March 1985

12th March 1985

Appendix 6 to the Report of the Insolvency Practitioner to the creditors of the Applicant in respect of the administration of the Applicant's estate. The Applicant is a subsidiary of a company and the provisions of the Companies Act 1985 relating to the duties of directors and officers of a company in relation to the administration of the company's affairs shall apply as if they were contained in the Companies Act 1985 as amended from time to time.