

Industrial Development Corporation (“IDC”)

The IDC’s Media and Motion Picture division is the largest investor in film projects in South Africa. Its portfolio includes “Hotel Rwanda”, “Tsotsi”, “Vehicle 19” and “Skin”.

IDC’s investment is set at anything between R1million and 49% of the budget, subject to its assessment of the project’s risk and return profile, and also subject to whether the film is categorized as a small-budget South African film (i.e. a local film that is capable of recouping its investment fully out of South African revenues) or whether it is categorized as an international film project (i.e. a project which requires exploitation in world-wide territories in order to recoup its budget).

International film projects

The IDC evaluates each international project on its own merits and its requirements vary from project to project. For this reason, it is difficult to provide a generic list of IDC financial terms, however the following have been standard to previous investments:

- The IDC requires confirmation that all other funding has been secured.
- The IDC seeks to collateralise a portion of its overall investment. A typical breakdown is as follows:
 - Loan secured against the DTI rebate.
 - Loan secured against pre-sales.
 - Venture loan (unsecured portion) - IDC strives to place as much as possible in first position.
- Venture loan finance fee - the IDC charges a flat fee, around 24.5%, which is repaid from exploitation proceeds. For secured lending the rebate loan, the IDC tends to charge a running interest, at around prime + 2%.
- In addition the IDC charges a raising fee of 1% and a legal fee of R10,000.
- The IDC requires a back-end profit share commensurate with its equity investment.
- The funding agreement is between IDC and the SA producer entity (which is traditionally a special purpose vehicle set up for the film) and the IDC will take the SPV’s film assets (or a portion thereof) as security for the SPV’s repayment obligations.
- The IDC may require some level of producer fees to be deferred.

- The pedigree of the Sales Agent is a critical part of the IDC's evaluation and IDC will interrogate the sales estimates and marketing plan. IDC will also require pre-sales to be made, in order to test the estimates.

When making a submission to the IDC, the following documents should be presented:

- Synopsis and screenplay. The IDC will seek script coverage / endorsement from the NFVF or an independent third party
- Chain of title
- Biographies of key attachments (producers, director, writer, cast), and evidence of attachments
- Production budget, schedule and cash flow
- Financial structure, and evidence of commitment from other investors (e.g. Terms Sheets)
- Sales estimates from Sales Agent
- Pre-sales in place
- Any distribution agreements or deal memos in place
- Co-production agreement, if applicable
- Agreement or deal memo or letter of intent with:
 - Completion Bonder
 - Collection agent
- Provisional Rebate Certificate from the DTI
- Various other information on job creation, empowerment and skills development.