

Current State of the UK Film and Television Industries

While it looks good on the bottom line, just scratch the surface and it tells of a different story. In the last 6 years, the number of UK productions has dropped to zero, from 2018 to now. The main reason this is clearly the lack of accessible and reliable finance. In a report by Henley and Partners, millionaires and cent-millionaires are leaving these shores to go and live in countries who are more welcoming to them, who tax them less and receive the kind of treatment which they wish for.

Unfortunately for the film and television industries, this was the source of most of the finance.

The total number of applications for **investment migration programs** from UK nationals received by Henley & Partners has risen by an astonishing 337% in the last five years (2019 versus 2023 totals). The international firm, which has assisted clients from over 80 different nationalities so far this year, says that in a stunning change of circumstances, Brits have risen from 20th place on its client source market list in 2018 to 4th place in terms of global demand for **alternative residence** and **citizenship options** in 2024.

figure 1a. Henley & Partners, 22nd of October, 2024

According to the research from Stephen Follows (www.stephenfollows.com), the vast majority of UK feature films were low budget efforts, under £500k, poor quality, no or little international sales and the "broad agreement from the film industry" is that the number of films of this quality is not important, in fact it is damaging and that marketability and *quality* is what counts.

www.stephenfollows.com

So, what is the film and television industry doing about it? Next to nothing.

As I mentioned in our previous call, the Culture, Media and Sports committee put together a project inquiring about British film and high-end television. This was due the closure of Empire and Cineworld cinema chains. The Empire cinema chain went into administration in July 2023. The administrators placed the blame on the impact of COVID and the cost of living crisis, "significantly affected the companies' business". This result in the closure of 14 cinemas and about 440 jobs.

<https://committees.parliament.uk>

It is all really about money at the end of the day. Investors need to have confidence that their investments will yield a return and are safe, while creatives need a ready supply of cash (you can't call it 'equity' etc. - they really want the cash).

This is where Roxburgh comes in to bridge that gap.

Average Income for a Hollywood Feature Film

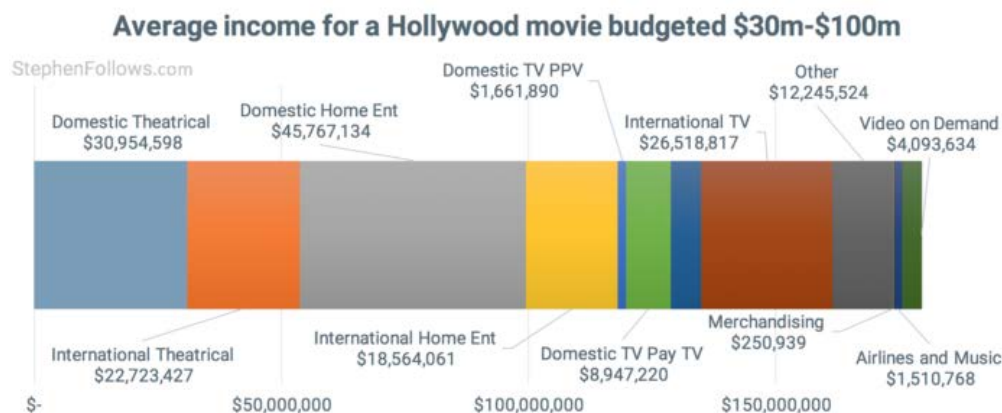


figure 1b. Sc: stephenfollows.com

As you can see from this graphic from Stephen Follows, you need to guarantee that the film will make back its money, but with the headwinds from Brexit, cost-of-living crisis, high energy prices, there is not a lot left for people to go to the cinema.

Current Funding Model

The current funding model has not changed at all for the last seventy years. Whether it be the National Film Finance Corporation started in the 1950's or the formation of British Screen in the late 1990's, **all films and television have relied on tax 'incentives' to stimulate these industries.**

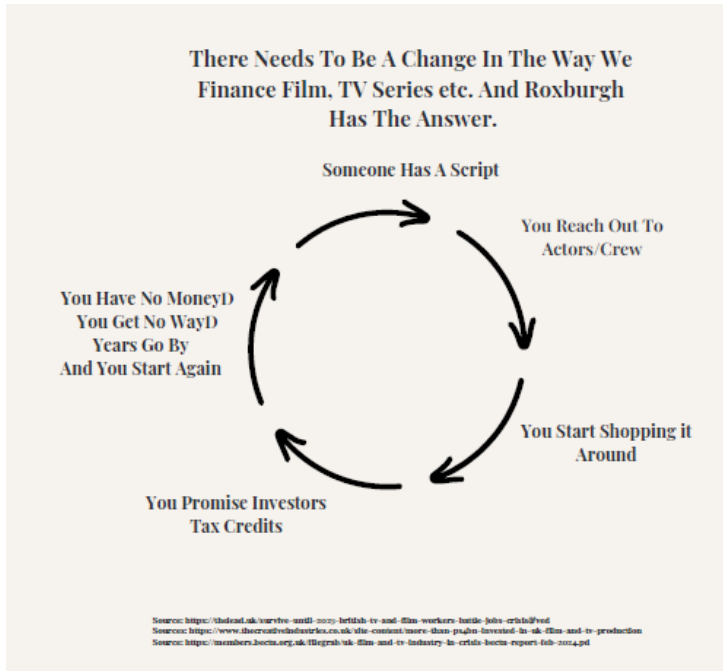


figure 1c. Sc:Roxburgh Business Plan

As Jamie Lees, former Chairman of Goldcrest Productions said to me in 2001 at a BAFTA event, "In 1980, we were just coming up over the hill and we were beginning to see progress in our industry. Wardour Street was busy, with men in flat caps and tan overcoats, going up and down with trolleys full of film cans. Then Kenneth Clark, announced the end of the Eady Levy. Next year, nothing. Just empty pubs and newspaper fluttering up and down the street."

Mr. Lees pointed out that there were 320 regular investors for British Film Industry, who knew the industry and supported it the best they can. The Thatcher government comes along and destroys it. There are no other reasons or words for it.

She later regretted it.

As you can see in figure 1c, the current funding method is totally inefficient and does not work. The UK Film Tax Credit, which start off at 20% back on all expenditure, is now up to 53%, so long as you pass the UK Culture test (a list of twenty questions) and receive back from the DCMS a certificate which you can present to HMRC and then receive your cheque.

The other method of funding a film project, is through the EIS (Enterprise Investment Scheme). Here, if you are a high net worth individuals, who can invest up to £300k, receive 30% income tax relief and with a tax carry-back, where you can claim tax back from the previous year. All investments are Capital Gains Tax Free, although you have to hold onto the investment for minimum of 3 years.

There are some limitations. To qualify, you have to paid taxable income which is either equivalent or more to the investment you make. For example, your income tax is 40% and you pay between £50.2k to £150k in income tax, then your maximum is £150k.

From my own research, the maximum which most HNWI's invest about £50k. Further, the *production company* has to be "EIS" ready to receive, an expensive process which can cost between £30 to 80k per company.

In my own opinion, it is a complete waste of time (and money).

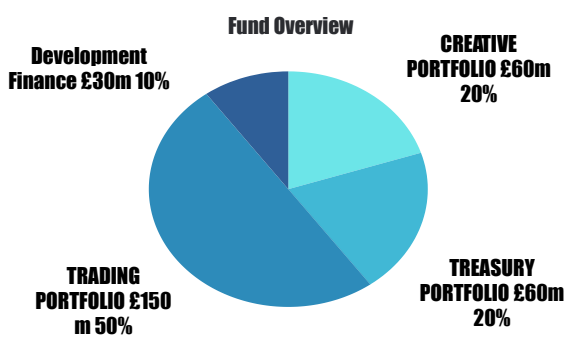


figure 1d. Sc: Roxburgh Business Plan

Our Idea - New Business Model

Instead of chasing finance, and focusing on a single project each time, it is much better that we *create a fund first*, with specialists in these areas, to develop and produce quality productions and products for the various markets.

It does not rely on the tax credit nor EIS funds. It will also produce financial returns regardless of the performance of each of the creative products and have a reserve too.

Crew Crisis

This is a crisis that is sadly overlooked. Sure, there is work but only for a few. Similarly, there is a lack of good quality training, practical training, to help crew members climb the ladder. We have Disney, Netflix, Amazon and Warner Bros. using up studio space and packing them with multi productions. Recently I have been told that a number of facility houses have had to reduce their staff and even close up shop, because they cannot get the money they need to move forward. This has increase since COVID/2020.

A Bectu survey of 4,160 film and TV workers carried out between 9-16 February 2024 found that:

- 68% of film and TV workers are not currently working, just a small improvement since September 2023 when 74% were out of work.
- 68% report their employment being directly affected by the industry slowdown.
- 88% are concerned about their financial security over the next six months.
- The drop off in work is having a significant impact on the mental health of workers, with 75% reporting that they are struggling with their mental wellbeing.
- There has been an increase in the number of people who are planning to leave the industry within the next five years – from 24% in September 2023 to 37% in February 2024.

figure 2. Sc. BECTU - Slowdown in Crisis

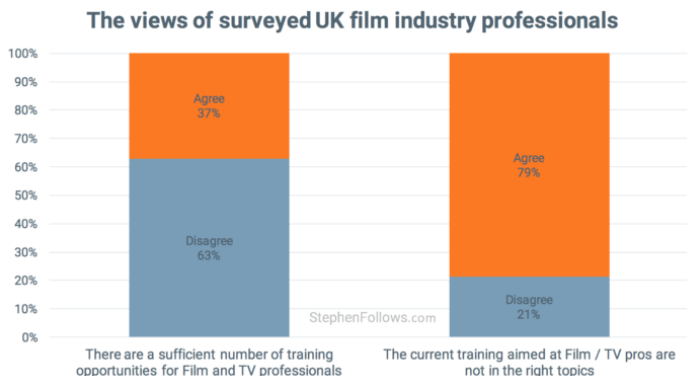


figure 2a. Sc. Stephen Follows Aug 2016

According to BECTU and the CMS committee, plus Screens Skills, there are approximately 20,000 new positions which have to be created. In June 2023, the Creative Industries Council (CIC) announced along with the Prime Minister, Rishi Sunki, that they were going to increase funding by £77 million, create one million new jobs and increase the turnover by £ 50 billion by 2030.

Result? Totally delusion and only last month, the CIC released a survey. That's it!

To create a job costs between £15k to £18,500. Amazon have sent £100 million per year for five years and have create around 5,000 jobs, which is inline with our research.

This is where a private company and fund can take advantage and create the training hub that is so sorely needed. This would be *like* starting a company; development by speaking with mentors and experienced crew members, having the right equipment to train on, field experience, developing the curriculum and feedback etc.

Studio Space

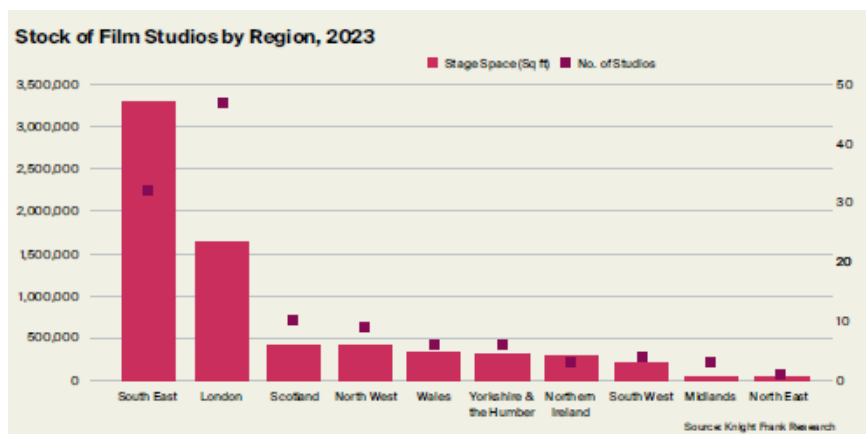


figure 2b: Sc: Knight Frank Research

Created by CEO/Founder
of the Roxburgh Production Fund

James A. Barry

The last thing I will mention is studio space. We have way too much of it, mostly in the South East and London.

I noticed the raise of American productions in 2010, which went to the moon after 2016. I raise my 'concerns' at the time and I was derided and laughed at.

We went from 500,000 square feet to up to 6.9 million square feet.

My question is this; what happens to these new studios built in the last 5 to 7 years, if and when the Americans decide to up and leave?

We are building studios, not businesses.

As Napoleon said, those who do not study history are doomed to repeat the mistakes of the past.

Hence, why I created the Roxburgh Production Fund.