

Post Production and Visual FX

The UK. Supporting Your Growth

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Overview

- Companies in the UK facilities* sector provide the global audiovisual industries with a broad range of creative and technical talent, support services, rental equipment and amenities.
- The facilities sector covers a diverse set of businesses, from post production and visual effects to outside broadcast and equipment hire. In 2008, the sector consisted of over 1,300 independent companies employing over 25,000 people and with a combined turnover of £2.2bn.
- The sector is world-class. It is highly creative, vibrant and multi award winning, and as such enjoys a strong international reputation. Sector exports are increasing, year on year, and direct relationships with the US film industry are particularly strong. In 2011, three of the five films nominated for the Oscar for Achievement in Visual Effects were entirely or significantly created by Soho-based facilities companies.
- The UK facilities sector is a key enabler for the creation and distribution of audiovisual content and, as such, is a small but crucial part in the UK's creative economy.
- As a technology-driven sector the facilities industry is also an important innovation driver, it contains some of the most advanced technology and skills in the UK media landscape. The Foundry, for instance, has developed Nuke, the industry standard for compositing (seamlessly layering pictures & effects).

** Post production and visual effects (VFX) businesses are sometimes described as 'facilities'. This term encompasses all of the service industries, both technical and physical, supporting the production of content for screen (film, TV, advertising), generally in the capture and processing of moving images.*



The UK Facilities Sector

Much of the UK's reputation in film, TV and commercials in particular is built on technical strengths and successful creative innovation - this is derived in no small part from activities in post production and visual effects.

Post production is the less glamorous and less visible end of the media industries but is a vital element, which adds massive value during the process. The skills in putting together the look, feel, sound, pace and picture quality, whilst sometimes 'invisible', are the difference between amateur and award-winning.

The post production industry has undergone a major shift over the past 20 years. Developments in digital technology have forced an ever greater speed of change in what has always been a capital intensive and highly competitive industry. The ability to manage these transitions and retain market position has driven a professionalisation (from owner managers to more corporate structures) and, at the upper end, rationalisation through consolidation.

The opportunities of digital distribution began a wave of inward investment by US corporates, looking to create efficiencies through scale in a low margin business and offer global services to an increasingly internationalised client base. More recently investment has tended to come from India, albeit following the same model of purchase / equity position rather than expansion.

A requirement to generate competitive advantage or diversify revenue streams has increasingly seen post production facilities move earlier into the creative 'supply chain', sometimes setting up their own production arms or investing services as equity into major projects (e.g. Molinare's investment in The King's Speech), but more regularly providing creative agency services at pre-production stage.



"Batman Begins, The Dark Knight, Bourne Ultimatum, Prince Caspian, The Voyage of the Dawn Treader, Avatar, Clash of the Titans, Prince of Persia, The Sorcerer's Apprentice, The Da Vinci Code and many more. It is hard to think of a Hollywood blockbuster over the last five years which has not benefited from the creative expertise of talent working in Soho's visual effects hub. Double Negative, Framestore, MPC and Cinesite - four of the largest visual effects companies in the world - have all been involved in these films."

VFX Hope/Livingstone Review

The UK Proposition

1

World class, multi award-winning industry with a globally recognised talent base. Competitive and international market-leading companies.

International profile built on high quality talent base, being refreshed by self-training and specialist academic excellence - therefore FDI able to recruit first class workforce.

2

Facilities are a key enabler of the UK strengths in TV, film, advertising, animation, corporate etc - the power behind the pictures.

Critical industry supply sector at the heart of a globally significant media marketplace - therefore tangible pipeline of quality clients and projects.

3

An inward attractor of work and investment - internationally active industry in a leading global marketplace.

Reputation of sector quality attracts high-budget international clients into UK to build on existing scale local marketplace - therefore potential reach and attainable target market extends beyond UK to US in particular.

4

Highly innovative and technology driven, constantly developing and employing new techniques (e.g. time-slice cameras, CGI effects, stereoscopic 3D).

Constant technology advance mitigates against an enduring status quo and drives new opportunity - therefore chance to create competitive difference advantage for FDI based on technology spec or new service delivery.

Market Highlights

In 2008, the sector consisted of over 1,300 independent companies providing services to the film, television, commercials and other production sectors. These companies employed over 25,000 people and had a combined turnover of £2.2bn.



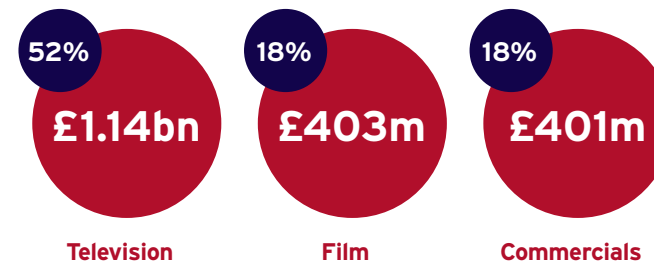
The sector is geographically concentrated in London with creative clusters in Bristol, Cardiff, Glasgow and Manchester.



There are a large number of companies within the UK facilities sector but only a very few have achieved scale in their operations. The sector is dominated by small and medium-sized enterprises, with 99% of firms employing fewer than 250 people, and 78% employing fewer than ten.



Work in the sector is split across three main markets. In 2008 television was the largest market accounting for £1.14bn of sector turnover (or 52%); with film and commercials contributing £403m and £401m respectively (or 18% each).



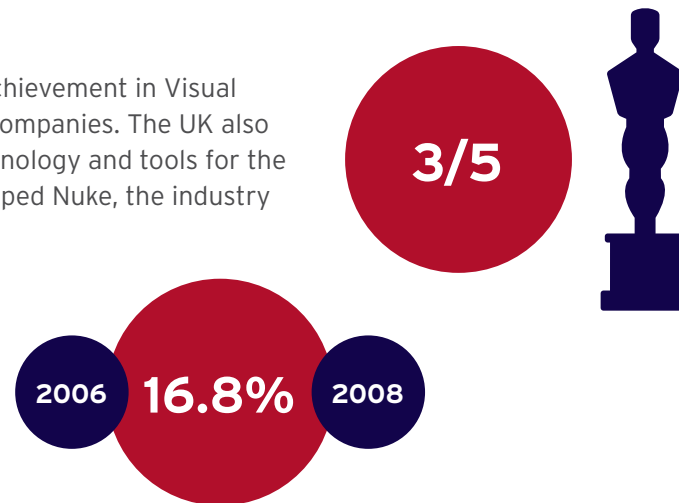
Market Highlights

The combined revenue from exports was approximately £293m in 2008.



Over the entire period surveyed (2006-2008), the main service growth areas, within companies, have been: visual effects & graphics; audio post-production; transmission; network & support services; equipment hire and access services.

In 2011 three of the five films nominated for the Oscar for Achievement in Visual Effects were entirely, or significantly, created by Soho VFX companies. The UK also boasts some of the world-leading companies producing technology and tools for the visual effects industry. The Foundry, for instance, has developed Nuke, the industry standard for compositing.



3/5

A Springboard for Growth

In recent years, we have seen an increase in Indian companies using the UK as a platform for growth, predominantly through local purchase or investment stake rather than new openings. Recent examples of companies coming to the UK include:

- Digital Domain (a major US studio) and Reliance Media (India) - planning to open a UK offshoot in Soho
- Prime Focus (India) - purchase of the VTR group five years ago



Strengths and Opportunities

UK Strengths

- UK film & TV market renowned for creativity - post production skills are at the core of this
- Award-winning and internationally recognised strengths
- Highly innovative and technologically complex business - the UK is a centre of excellence
- Educational excellence feeds talented graduates into industry
- Whilst dominated by micros, the UK industry has significant scale businesses with international reputation and reach

UK Opportunities

- Generate new opportunities for innovative service delivery through technology leaps (i.e. HD, Stereoscopic 3D, digital image capture and distribution)
- Leverage the UK as a production centre of excellence and EMEA base for many corporates to access international clients (i.e. film studios, wad agencies) - service industry reinforcing a global position of the creative sector
- Increased opportunities as partners or investors, as UK facilities move earlier into the creative supply chain



Ease of Doing Business

According to the World Bank¹, the UK is the easiest major economy in Europe in which to do business and the seventh easiest in the world², with a GDP of around US\$2,400bn³. It is politically and economically stable, has excellent ICT infrastructure, global links and has one of Europe's most flexible labour markets⁴. This pro-business environment, combined with the support available from UK Trade & Investment, ensures that a company planning to enter the UK market can get their business up and running quickly and easily.



No. 1

No. 1 for European headquarters: The UK has consistently attracted more HQ operations than any other location in Europe⁵, a clear endorsement of our business-friendly regulations and thriving environment for innovation and growth. Boasting the world's largest single market and over 500 million consumers, Europe offers a wealth of opportunity.



Easy to set up: Setting up in the UK takes an average of 13 days⁶, and it takes as little as 48 hours⁷ to register a company.

Innovation: Innovation and entrepreneurship are prized in the UK - which has been named Europe's strongest environment for research and development⁸ and ranked fifth for innovation globally⁹. The UK is ranked as the eighth most competitive economy in the world¹⁰.



5th

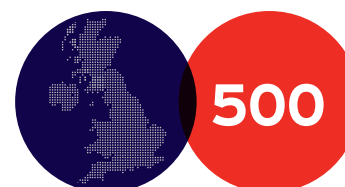
Ease of Doing Business



Professional services: UK professional services firms can play a vital role supporting new investors' businesses – as we are home to world-class firms specialising in accountancy, audit, legal services, information technology, property management, architecture, advertising, management consultancy, and engineering to name but a few. Our legal system is one of the best in the world for settling international and local disputes quickly and effectively.



Investor confidence: The UK is the top destination in Europe for inward investment¹¹. Demonstrating continuing investor confidence in the UK, there were more than 500 expansions of UK investments in 2011/12, proving that the UK is an excellent location to establish and grow an international business.



Financial capital: London's excellence in financial and business services makes the UK an ideal location for international activity. London is ranked as number 1 in the Global Financial Centres Index 2013, Z/Yen Group.



Strong and flexible labour market: The UK Government supports a framework of laws that ensures the labour market is flexible, effective and fair¹². We have the second-largest labour force in the EU, at over 30m.

Ease of Doing Business

There is a supportive funding environment for UK-based companies.



Low tax burden: The UK has generous tax allowances and the most extensive network of double taxation treaties in the world. Our overall tax burden is well below countries such as Germany, France, the Netherlands, Belgium, Sweden, Denmark and Italy, as well as below the average for the EU as a whole¹³. Employers pay less social security contributions in the UK than in most other European countries.

The UK's corporate tax rate is the lowest in the G7 and is at 23 per cent in 2013. It will further lower to 20 per cent as of April 2015¹⁴, giving the UK the joint lowest tax regime in the G20.

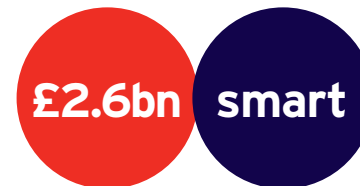


R&D tax allowances: We are actively promoting innovation through generous R&D tax allowances. The system, available for large corporations and SMEs investing in R&D, is easy to navigate, and self-assessment facilitates a simpler application process than elsewhere in Europe.



Patented inventions: UK-based companies benefit from a reduced 10 per cent¹⁵ corporation tax rate on patented inventions. The Patent Box provides one of the strongest offers of its kind in Europe.

Funding opportunities: There are numerous funds available, for example the Regional Growth Fund (a £2.6bn fund running to 2016¹⁶) and Smart, offering funding to SME's engaged in R&D projects.

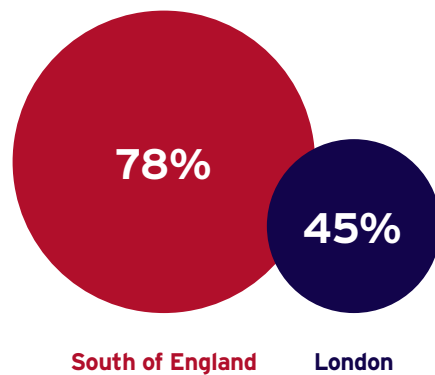


UK Clusters

Traditionally this industry has a strong association with Soho (and the adjacent area just north of Oxford Street) in central London.

In terms of skills, as with the wider creative media industry, the facilities sector has a large proportion of its workforce in the south, with 78% of the industry operating in London, the East of England and the South East regions. 45% of the workforce is in London alone.

Other major post houses are naturally located in the UK's main media centres i.e. Bristol, Cardiff, Glasgow, Manchester etc. Scale businesses will be easier to generate when based within these key creative clusters.



UK Universities

Skillset, the UK sector skills council for media, has awarded Academy status to a number of leading UK Universities who can show excellence in media education. These Academies tend to have different strengths but a number are highly regarded for their ability to produce technical talent (as well as creative). For example:

Bournemouth University/Arts University College Bournemouth has a renowned output based on technical skills, with particular specialism in CGI & 3D motion capture. In a recently announced initiative, industry leader Framestore has opened a satellite presence on campus creating 29 jobs for recent graduates.

Ravensbourne. Based in a new building in Greenwich, Ravensbourne has historically had very strong links into industry and high quality graduate output. Recent initiatives include being part of the National Virtual Incubator project with Cisco and a Fellowship sponsored by music industry heavyweight Harvey Goldsmith.

www.rave.ac.uk

NFTS - National Film & Television School. Leading technical media college with award winning industry names on board & lecturing staff.

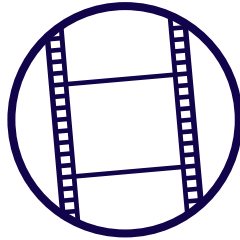
www.nftsfilm-tv.ac.uk

Research and Development

The desire to generate new services in a competitive market place is a strong driver of new R&D and innovation, especially in area of visual effects. These innovations can be visible; e.g. time-slice camera technique, CGI effects (especially matting and textures), or invisible; e.g. processes handling massive data files due to new digital capture techniques.

The strong British tradition of craft skills runs from cinematography and editing through to special effects and CGI animation.

Examples of UK Companies



Film, VFX & Commercials

The Mill
Framestore
Moving Picture Company
Smoke & Mirrors
Cinesite
Double Negative



Broadcast TV

Rushes
Envy
The Farm
Deluxe 142
Evolutions



Out of London

Films@59 - Bristol
422 - Bristol
Sumners - Manchester
Farm / BBC - Manchester (MediaCity)
Gorilla - Cardiff
M8Media - Glasgow

Support Network

Relevant UK associations

UK Screen Association

Industry body representing service businesses to the UK film and TV industries.

www.ukscreenassociation.co.uk

BAFTA

Strong focus on craft and technical skills.

www.bafta.org

BECTU

The independent union for those working in broadcasting, film, theatre, entertainment, leisure, interactive media and allied areas.

www.bectu.org.uk

BKSTS

The Moving Image Society also organises an extensive programme of training courses, lectures, workshops and special events.

www.bksts.com

Events

IBC

Amsterdam based technical show, key European trade event.

www.ibc.org

Broadcast Video Expo

Largest UK event for post production and TV services.

www.bvexpo.com

Conch Awards

UK screen managed awards for sound and audio across film, TV & commercials.

conch.ukscreenassociation.co.uk

NAB

Key international facilities trade show based in Las Vegas, often a launch-pad for new products in this sector.

www.nabshow.com

Key UK trade publications

Broadcast

www.broadcastnow.co.uk

Televisual

www.televisual.com



UK Trade
& Investment

Contact Us

UK Trade & Investment can offer practical help and advice for inward investors and it is free and confidential. Our industry advisers can provide information such as specific market opportunities, local skills, clusters, universities, incentives and funding support.

*www.ukti.gov.uk
enquiries@ukti-invest.com*

Sources

¹ World Bank 2013 - www.doingbusiness.org/rankings

² World Bank 2013 - www.doingbusiness.org/rankings

³ IMF

⁴ The Global Competitiveness Report 2012-13” p 19. www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

⁵ Financial Times fDi Markets database. www.fdiintelligence.com/Custom/Special-Reports/fDi-Report-2013/The-fDi-Report-2013

⁶ www.doingbusiness.org/data/exploretopics/starting-a-business

⁷ www.gov.uk/register-a-company-online

⁸ Elsevier, 2011. www.bis.gov.uk/assets/biscore/science/docs/i/11-p123-international-comparative-performance-uk-research-base-2011.pdf

⁹ www.globalinnovationindex.org/gii/main/fullreport/index.html - 2012

¹⁰ World Economic Forum’s Global Competitiveness Report 2012-2013 www3.weforum.org/docs/CSI/2012-13/GCR_CountryHighlights_2012-13.pdf

¹¹ [www.ey.com/Publication/vwLUAssets/Attractiveness_survey_UK_2012/\\$FILE/attractiveness_survey_UK.pdf](http://www.ey.com/Publication/vwLUAssets/Attractiveness_survey_UK_2012/$FILE/attractiveness_survey_UK.pdf)

¹² The Global Competitiveness Report 2012-13” p 19. www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf.

¹³ Eurostat, 2010.

¹⁴ www.hmrc.gov.uk/rates/corp.htm

¹⁵ www.hmrc.gov.uk/ct/forms-rates/claims/patent-box.htm

¹⁶ www.gov.uk/understanding-the-regional-growth-fund