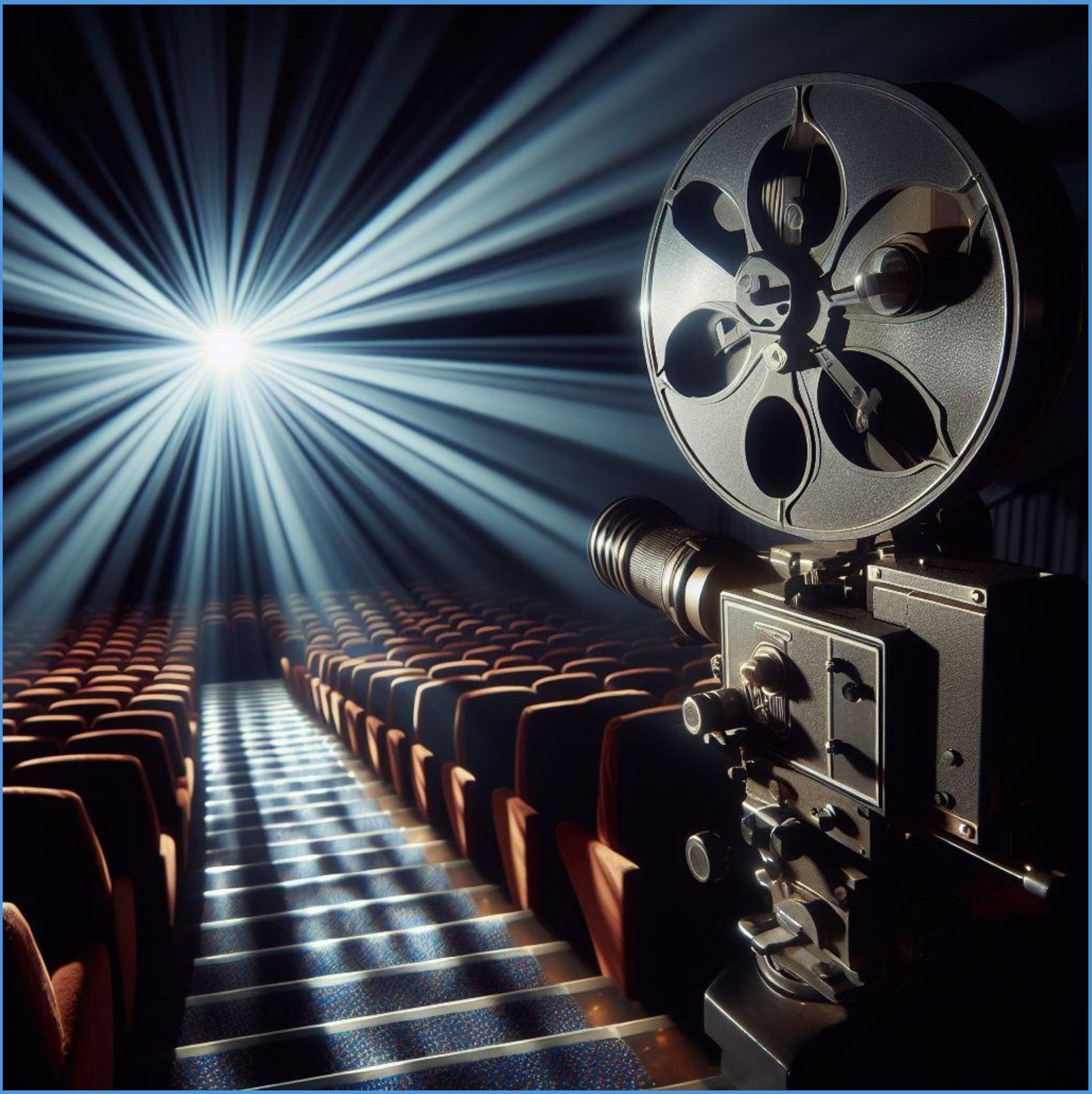

Investor Prospectus

Born To Productions Limited

Business Plan

June 2024

Executive Summary

Born To Productions Limited (BTP) is a wholly owned feature film production company of David Sangster – film school student of Tarantino's tutor. The business aim is to attract private investors, with an artistic sensibility, to invest in a low budget feature film and see their investment return within 18 months of the funds being committed. The focus is on low budget feature films because they can be made cheaply, in production terms, and are therefore easier to recoup the investment. By approaching distributors with an offer to sacrifice any profit in return for an upfront payment we can create quick returns that will produce a post corporation tax profit equal to 45% return on investment.

The mission is to create a cycle of repeat investments and thereby establish a new force in feature film production. With prospective budgets of £1m per feature film we would look for investors with a minimum investment commitment of £100k. As Investing News' market analysis, this year, has identified there is in the feature film industry an 'all consuming need for a steady stream of fresh content.' (Investingnews.com) The feature film business structure is built around creating special or single purpose vehicles (SPV) for each feature film production so this diverges from typical angel investment projects as the investment is in a limited shelf life project, controlled by the investors, with the sole aim of producing a return on investment. This is why HMRC no longer permit tax incentives for film investors as the government is looking for long term investment and not quick returns. This divergent approach in feature film investment opportunities also means that some typical investor requirements will not be relevant in this sector. Therefore, the USP is manifold:

- Accelerated return on investment compared to many competitors and certainly in the mainstream studio system;
- Investor control on the investment to protect their interests;
- Intellectual property already owned by the production company; and
- High quality creative talent on board, trained by industry leader.

Company description

This is where the feature film sector varies from typical angel investment expectations. Born To Productions Limited will produce the feature film, but it is not the investment vehicle. The SPV will be the investment vehicle and it has no backstory because until the investment is secured it will not be established. Born To Productions has a number of properties - novels, treatments and screenplays, which are the creation of its owner, David Sangster, over a period of 35 years. These properties are detailed in the IP library which can be downloaded from www.borntoproductionsltd.co.uk site. This will be the backbone of the creative investment by David in the SPV as he will bring one of those to the SPV for investment. Born To Productions employs no one unless there is a feature film to be produced since its income comes from production. All crew and cast for feature films are paid solely for their time on a specific project. The SPV will include the investors, David Sangster as producer and, where relevant, the named star of the feature film. The foregoing are the only ones to profit from the return on investment – the investors to get their money back and then some, the producer to secure the true market value of the IP rights, which he will defer during production, and the named star who will defer their true fee until sales income is generated. The SPV goal is to fund the production of the feature film by paying Born To Productions Limited, to sell the completed product and recoup the investment and take the SPV into profit. Once all the sales are generated/rights sold, the SPV can be wound up, paying appropriate corporation tax and investors will take responsibility for their personal tax liabilities. The 'problem' the SPV/Born To Productions Limited is aiming to solve is to create new low budget independent feature film production which can attract new investors – something that UK government policy in the past 10 years has discouraged through unsympathetic treatment of tax incentives for feature film investors. We aim to show that the profitability is still there, but we want to attract the right type of investor – the one that wants to be associated with refreshing the independent feature film sector and will consider repeat investments after the initial project has successfully produced a satisfactory profit.

Market analysis

In it's simplest form the feature film industry can be split into 3 markets – high end Hollywood productions, medium multi-national productions, and low budget independent productions. For the investor looking for a quick return on investment only the low budget approach can achieve this. The established studios have their budgets already and medium co-productions will collate funding/loans from a myriad of partners and lenders where past performance can sustain the trust of financiers. For the low budget feature film it needs to attract investors as the people with money have to share the risk journey along with the film maker rather than the financier who only cares about getting their loan back and not about the project itself. The more money spent on a film project the longer the window to profitability if at all. So, in addition to traditional routes to market with distributors for cinematic release, we now have a burgeoning online industry, both as commissioner and consumer of feature content. So, the market is now wider and, in some respects, more open for low budget independent producers for these reasons set out by Investing News this year:

- All these services look to independent content creators to fill out their libraries;
- On demand content streaming has made previously ignored international audiences a viable market; and
- The global market place is rebalancing the income sources for film production, eg in 2017 while the US box office declined, China rose to 20% of the market.

What does all of the above mean for a low budget feature film in terms of its profitability? Leading analysts of the entertainment market – the numbers.com, partnered with the American Film Market (AFI) to look at feature films by production budget and assess their route to profitability. In analysing low budget feature films of this century, defined as those with a budget of between $500k and $3m, which produced a net producer profit of $10m, the study concluded there were four categories of feature film that were most likely to be profitable: 1. Extreme clear concept horror; 2. Documentaries with built in audiences; 3. Validating, feel good religious films; and 4. High quality dramas. The feature film being offered by Born To Productions Limited for investors, will be from the fourth category.

In conclusion, we have shown the available market for our feature film, shown that the genre of film fits the model for profitability; that the low budget improves the chances of a return on investment.

The product/service line

Investors help create a special purpose vehicle to fund a feature film. They contract with Born To Productions Limited to produce the film. The SPV sells the film until all rights have been sold and once all sales have been received, the SPV is wound up. Investors get their name on a feature film credit roll, a return on investment and the opportunity to reinvest in future films. The screenplay is complete, prospective cast members are on notice, legal and financial representation are secured, PR consultants have been identified. This is a targeted offer for right brain investors who want to support and benefit from a creative investment, with the range of participation going all the way to appearing in the feature film itself, if that is desired. The IP rights are secure as David Sangster has written the screen play from which the film will be produced.

Marketing and Sales Strategy

This is a business to business to customer strategy based on market intel detailed previously in this business plan. We will be using trade fairs, direct contact with commissioning and distributing companies in the entertainment market, to sell the rights to the completed feature film. We will aim for a ‘neg pick up’ approach, whereby we secure the budget costs for the completed film (the negative film print) directly from the commissioner/distributor, walking away from any subsidiary/future income/profit in order to fulfil the goal of swift return on investment. To do this we must convince the buyer of the budget, which in our case will be a mix of actual and deferred expenditure. The actual expenditure will be the line items on the £1m budget and the deferred costs will be items such as star salary, SPV set up and maintenance costs, the true value of IP rights and so on – this will bump the nominal budget up to £2m and that is the deal we will aim to strike. This provides the profit headroom for investors to realise a return on investment. We will be agnostic on the way in which rights are sold – for instance we could get one global commissioner/distributor that will pick up the entire rights package or we could do a myriad of deals with distributors/commissioners of entertainment product, according to territory, platform etc. The goal remains the same – to take the SPV from spend to full profit within 18 months of the investment being committed. We will back up our face to face, email, Teams call approach to selling the rights, with social media targeted to key buyers, media coverage on the offer we are making in traditional, online and visual media to generate further interest and additional leads for sales. I have already established a relationship with PR businesses in the UK to aid with social media promotion. The marketing will be supported by any star that we attract to the project and as the main part of their fee will come from sales they will be motivated to support us. Because this is a one off project, we do not necessarily have to retain custom, although the possibility of securing a multi film deal either as part of the sales for the first film or off the back of the first film, will also be explored. The latter being part of the BTP's goal of establishing a regular flow of production funding for future film output. The foregoing covers pricing, attracting demand and general promotion. We will not be distributing the product as that is who we will be selling to and as just stated customer retention is not vital to the SPV goal.

Operational Plan

In this singular investment opportunity the normal angel investment requirements do not apply. The relationships are simple: the SPV holds the investment, pays BTP to produce the feature film, receives the completed film, sells the rights, receives the income and on completion of sales the SPV can be wound up. The only supply chain relationship is between the SPV and BTP and since David Sangster is involved in both, the relationship is a secure one. Equally as producer, David will not see any profit unless the ROI is realised so his motivation to succeed, to oversee quality of product during the production is clear, the more so as the plan is to attract repeat investment.

Management and Organisation

As the promoter of this investment opportunity and as sole owner of Born To Productions Limited, David Sangster is key to the business goal. Trained by the best, Tarantino's tutor, supported by top financial and legal teams in the city of London and with a wealth of experience in budgetary management, people management and project management, David is well placed to honour any commitments entered into as part of this proposed investment opportunity. Let us take a more detailed look into the CV of David:

Education and ongoing professional development – 2 degrees from London universities; attained membership of MENSA with an IQ in the top 1%; admitted to the Chartered Institute Personal Development as Assoc CIPD.

Work history - As a Civil Servant in the UK Government, David has managed £800m of public money. Also as a practising mentor/coach of staff, overseeing the development of talent pipelines. With 20 years experience of public accountability/scrutiny, writing strategy and negotiating with global partners around the globe.

Artistic history – author of Born To Run, published 1990; also has IP rights to 3 other MSS and 2 other screenplays. There are also a number of other projects in varying stages of development. The screenplay, 'When They're Dead' was praised by Oliver Stone when it was marketed in Hollywood.

The Opportunity/Risk/Mitigation approach is detailed here:

Opportunity	**Risk**	**Mitigation**
Invest in a feature film, have name associated with it and reap return in 18 months	Film not completed	Completion bond pays out If film not completed – investment is protected
	Completed film stolen/destroyed	Spread the risk – multiple prints – insurance
£1m investment for a ROI of 45% profit net of corporation tax	Film runs over budget (i.e. exceeds shooting ratio 3:1 allocated in budget – so 3 takes for each finished scene)	Maximise the budget and minimise the cost (With intensive rehearsal 3 takes should not be required, let alone more. If the worst happened the producer would personally purchase additional film stock if we choose not to go the digital route)
	Film runs over schedule (i.e. the daily page count is not achieved – so taking too long to shoot the movie)	Project management experience (within the script there is flexibility to cut scenes to restore the page count

		schedule)
	Accident(s) occur during principal photography	Insurances
	Film doesn’t sell as anticipated	Sales strategy: increase window for sales or accept lower return to meet 18 month projected sales window.

The investor journey is clear: 1. Commit investment to SPV which will be controlled by them through their majority share holding; 2. Pay BTP to produce feature film in 6 month window; 3. Receive completed film from BTP and begin sales; 4. When all sales are made and corporation tax is settled, investors take their profit and work with their financial advisors on best way to handle their individual tax liabilities, 5. SPV is wound up. Should the investor/s wish to recycle their profit for another production, a new SPV would be established and the process would begin all over again.

Financial Plan

Again, in the feature film investment opportunity the normal expectations of financial planning do not apply. The SPV has an expected shelf life and investors control it. The budgeting, in a neg pick up deal will be a mix of actual and deferred costs. The actual line items will be equal to the £1m cash investment, while the deferred costs will justify our selling the film for £2m. However, while we will not share the budget breakdown with the buyer, we will need to account for all costs to the tax authorities so an extended budget detailing deferred costs will need to be produced. As previously stated in the Marketing and Sales Strategy section, deferred costs will include the producer’s fee for working on behalf of the SPV, the fee of any star whose film fee is not allocated in the £1m budget, SPV set up and running costs such as legal and financial fees, investor’s time in meetings etc. All these fees will need to be agreed once we know who the investors are and it may be the actual tax liability from a £2m sale will be low. For the moment we will work to the £1m budget, the £2m sale and corporation tax on the second million of 25%, therefore £250k. The £750k is net profit and the 60% investor share equals £450k so a 45% ROI on a high tax expectation so there is room for more profit in a lower tax expectation, depending on how we assign deferred costs against the second million.

Investment offer

Valuation and financial model

June 2024

Valuation

As stated previously in the business plan, the film industry is different from most angel investment opportunities. The SPV is only set up when the investment deal has been agreed so there is no history. The SPV has a shelf life, which in the low budget feature film model we have outlined would be around 18 months for the ROI to be realised and then whatever lifetime is required by the accountants to settle taxes and wind up the company in an orderly fashion.

As businessadvice.co.uk state, whatever valuation model is chosen by any business the two key factors that are top of an investor's priority list are ROI and relative risk. Both have been addressed in the business plan and will be fleshed out in the financial model. In effect the SPV will be worth the sum total of investment, plus the market value derived from selling the feature film rights leading to profit within an 18 month window.

Financial projections

Within the 18 month lifecycle of the SPV, the expenditure vs income projection will be broadly:

- month 1-6 spend on production of feature film by Born To Productions Limited, using sufficient budget to ensure a high quality product, but retaining sufficient budget within the SPV to pay for marketing of the finished film;
- months 7-18 are the income generation months, using the retained budget in the SPV for business to business marketing, which will be as short or long within that window depending on whether we get a buyer of the global rights in one hit, or make a series of smaller deals either by viewing platform or by territory.

The proportion of the total investment split between film production and business to business marketing is calculated at 80%-20%, so on a £1m budget, £800k on production and £200k on marketing. The goal is to secure a 'neg pick up' deal for £2m which will either be in one deal or multiple deals spread across the 12 month income window set out for the SPV's lifetime months 7-18. With the actual cost budget at £1m there is no actual projected debt, but the deferred costs that will fall into the £2m sale will enable us to minimise the tax liability, eg accounting costs for creating the SPV, maintaining the SPV for its 18 month lifecycle, legal fees associated with the SPV, the producer and star's deferred fees (which are strictly for the SPV not to do with the film production by Born To Productions Limited) investor time on calls or by email on expenditure decision making in line with their majority shareholding. These 'debts' will be carried until the SPV has sufficient income from film sales to pay the 'debtors' somewhere in the window of months 7-18. The SPV's financial resilience is built on investor control of expenditure, keeping the deferred debt in house as the debtors are the producer, the star and the investors, none of whom will want to upset the SPV's business model.

Market comparison

All comparable low budget feature film investment vehicles will use the same SPV structure as we propose, with the only variation being the size of the budget and the sales model where other producers may play the long game and not pursue the 'neg pick up' deal, instead earning income from distribution deals over a longer period of time, eg 1-5 years based on either very patient investors or a previous track record of profitable production which can be used to leverage loan arrangements rather than investment – all of which carries a different breed of risk.

Investment need and use of funds

The investment is required to capitalize the SPV which will hold the investment, pay for the film production by Born To Productions Limited, then sell the completed film and recoup the investment and secure the ROI. The £1m sought will be largely for film production but 20% will be held by the SPV for business to business marketing. Again, this is where the low budget feature film investment opportunity diverges from other angel investment opportunities since there is no growth strategy beyond the fixed lifecycle of the SPV and the valuation is strictly tied to the value of the original investment and the income generated from sales leading to profitability.

The Financial Model

Revenue Model

Again, the feature film investment model departs from a standard start up company seeking investment. Because the vehicle for receiving the investment is single purpose the only revenue stream will be from sales of the completed feature film. The pricing strategy is business to business and is on the basis of a 'neg pick up' deal where we pitch for £2m from a distributor/commissioner of entertainment product. Whether there is one sale or many sales depends on which rights/platforms and territories any sales negotiation is focused on. Ideally, we get one sale for all the rights for £2m, but it may be many sales for specific rights of lower values that ultimately add up to the £2m. The pricing strategy allows us to secure the investment return and yet justify the sale price based on a mixture of actual and deferred costs during the lifetime of the SPV. This approach has already been detailed in the valuation section. Sales forecasts will be entirely dependent on the foregoing as it could be we get a complete sale in the early period of months 7-18 or we could get myriad smaller sales at a later period in the forecast window for earning income from selling the rights to the completed feature film. The underlying assumptions are:

- that we sell the feature film for the £2m asking price
- that we recoup all the income from rights between months 7-18 in the project lifecycle

The mitigation to these underlying assumptions, should they prove difficult to realise, has already been set out in the Opportunity Risk Mitigation (ORM) approach included in the business plan.

Cost structure

Fixed costs will be legal and accounting fees for the creation and winding up of the SPV and the investment deal that details the terms of how it will operate. Variable costs will be how much the SPV pays Born To Productions Limited for the making of the feature film, the amount that is retained by the SPV for marketing the completed film and the amount of deferred debt incurred that will actually be repaid. All these figures can only be determined at the point of the SPV being created. We will include a notional operational budget for the SPV showing how the £1m investment will be spent and how deferred debt will be managed among the shareholders, particularly in terms of the £2m sale price and its constituent line items. The one certain principle guiding the SPV is that expenditure will remain within the £1m investment.

SPV lifetime forecast for cashflow

Month	Investment	Expenditure	Income
1	1, 000,000	500	0
2-6	0	800, 000	0
7-18	0	199, 500	2, 000, 000

Again, this is where investing in film differs from other start ups. Both the cashflow and the break even analysis are tied to when the film is in saleable form and we secure sales deals, either one or many between months 7 and 18 of the project lifecycle.

Change impact has been evaluated in the ORM (Opportunity/Risk Mitigation) approach set out in the business plan. In terms of sales being off target then the choice, as set out in the ORM, is to accept a lower ROI or to extend the sales window.