



Independent Production Sector Financial Census and Survey 2010

July 2010

A report by Oliver & Ohlbaum Associates Ltd for PACT



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Summary

Headlines from the 2010 census



The growth of the UK independent production sector has flattened out in 2009, with substantial falls in UK commissioning revenue offset by the continued growth in income from international markets

Overall revenue to the UK independent production sector was flat in 2009. Strong declines in UK primary commissions were offset by increasing international income and sector margins have shown greater polarisation by company size.

Commissioning income from the three main commercial network groups has fallen by over £100m year-on-year with a greater proportion of the remaining spend now going to medium-large indies (over £25m turnover).

At £439m, international revenues grew 28% in 2009 and now account for just under 20% of the total sector revenues. The US remains the main international market for UK indies and more are opening up overseas subsidiary businesses.

UK rights exploitation revenue also grew in 2009, driven mainly by increased sales of UK formats abroad and an increase in the value of UK finished programme sales overseas.

The contribution of indies to programme finance has grown and is estimated to have been worth around £200m in 2009.

The 2010 Policy survey suggests that the downturn has had an adverse impact on primary prices while over 50% of producers state that some recent commissions have been delayed.

Looking forward, the majority of producers believe that primary prices, commissions from networks and profit margins will decline in the next 3 years...while new revenue streams and gap funding will become increasingly important.

Summary

Approach and methodology



This year's report combines findings from both the financial census and policy survey, providing a view of the year-on-year financial performance of the independent production sector and expectations for the next three years

The PACT financial census is now in its fifth year, providing an estimate of key trends within the UK independent production sector based on financial information provided by PACT members.

Reflecting the ongoing consolidation of the sector and a higher response rate in 2010, we have adjusted our methodology in order to more accurately model the market size. As a consequence we have restated last year's census figures to provide a consistent year-on-year trend*.

The census was conducted between February and April 2010, with the data gathered representing the last two financial years (2008 & 2009).

Alongside the 2009 census, a separate online policy survey was commissioned during February 2009 to assess industry responses to current trading conditions, policy suggestions and prospects for the future of the sector.

PACT 2010 financial census

- The PACT financial census is now in its fifth year having been conducted annually since 2005
- Previous periods covered by the census are for the financial years 2004, 2006, 2007 and 2008
- The census is based on financial returns provided by PACT members to provide a representative sample of the UK independent production sector
- Responses were up-weighted based on a segmentation of companies by turnover band
- For the 2010 census, the turnover band ranges (used in grossing up the sample responses to provide an estimate for the overall industry) have been altered to reflect continued consolidation in the industry and a higher response rate than in previous years
- In order to correctly represent year-on-year trends in the industry, the 2009 census results have been restated using the revised methodology used in 2010*
- Completed responses were received from 83 companies (up from 76 in the 2009 Census) representing £1.45bn (up from £1.41bn last year) of total turnover (just under 65% of total industry revenues)

PACT 2010 policy survey

- Introduced for the first time alongside the 2009 financial census, the policy survey is targeted at senior industry executives and designed to capture views on key trends including:
 - The performance of the independent sector over the last year
 - The prospects for the sector over the next 3 years
 - Policy options being debated by the industry and the potential impact of the Digital Economy Bill
- The policy survey was delivered as an online survey in conjunction with Fly Research. It was distributed to senior contacts across PACT's membership base during February and March of 2010
- Completed responses were received from 107 companies (up from 76 last year), representing an estimated over £1.5bn of turnover (up from £1bn last year)
- Responses are an average of the responses received and are not up-weighted

*All restatements are clearly labelled in the charts contained within this report

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- Cost reduction has played an important role in maintaining margins

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Revenue growth and profitability

Summary



Overall revenue to the UK independent production sector was flat in 2009. Strong declines in UK primary commissions were offset by increasing international income and sector margins have shown greater polarisation by company size

The 2010 census returns suggest that the independent production sector was broadly flat in revenue terms during FY2009 at £2.2bn.

Declines in UK commissioning have been offset by continued growth in revenues from overseas markets.

Overall sector net margin has been maintained, though returns are becoming more polarised with higher returns for the large, international indies.

By contrast, company returns for the smallest indies (under £1m of turnover) indicate that this part of the market has been loss-making in 2009.

Cost cutting has played an important role in defending sector margins from reduced commissioning spend with greater scope for overhead reduction seen amongst the larger production companies.

Headline sector revenue was broadly flat in 2009 compared with the previous year

- The overall size of the industry in 2009 was just over £2.2bn, with revenues from TV contributing 90% of all sector income (down from 92% in 2008)
- Headline sector growth was just 1.5% between 2009 and 2008 and is within the margin of error for the census
- 2009 was the first year since the census began where TV-related income to the independent sector has fallen significantly

UK primary commissioning revenue falls

- UK commercial broadcasters signalled cuts to their programming budgets in 2009 as the market reacted to the advertising downturn
- These cuts are reflected in the returns to the 2009 financial census, showing strong declines in UK primary commissioning income to the independent sector
- The census returns suggest that primary prices for both new and returning series have come under pressure from the downturn
- In 2009, these factors combined have seen revenue from UK primary commissions fall by over £100m, from £1,508m in 2008 to £1,395m in 2009

International & rights revenue offsets decline in UK primary commissions

- Reflecting the increasing international footprint of the UK's independent sector, revenue from rights exploitation & international activities both grew significantly in 2009
- Revenues from international activities grew by £90m (over 30%), from £276m to £379m while revenue from rights exploitation (including sales of UK programming abroad) grew 9% from £169m to £185m

Sector average margins were maintained, though returns have become more polarised

- While sector average net margin was maintained at 8.5%, this masks an increasing polarisation of returns between the large, international indies and their smaller, UK-focused counterparts
- While companies with over £70m in turnover grew their margins, those with less than £1m turnover have been loss-making in 2009

Cost cutting measures have been an important part in defending margins

- Just under two thirds of all respondents to the policy survey stated that they had reduced overheads in the last 12 months while around a third cut back on R&D or made redundancies

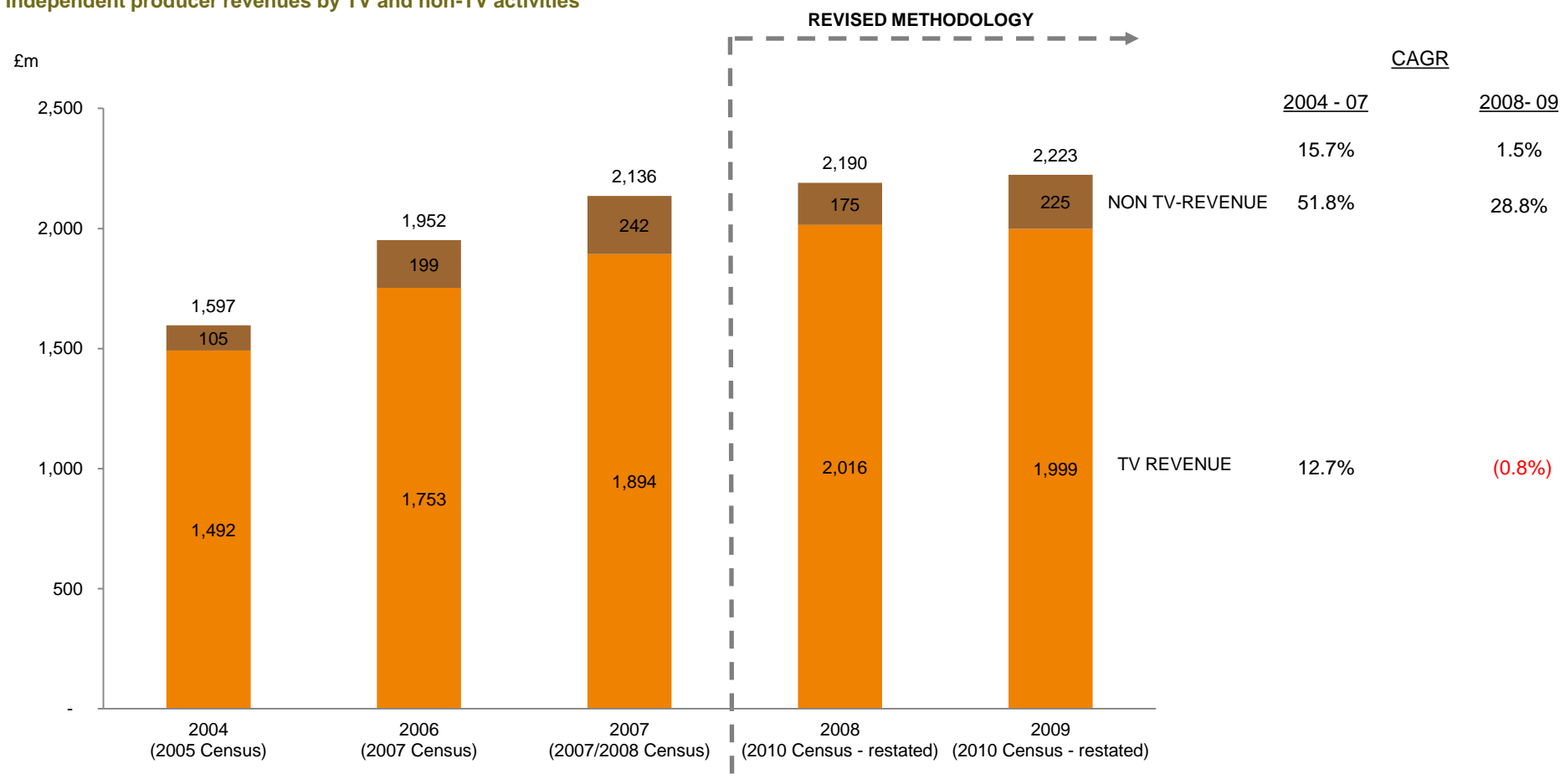
Revenue growth and profitability

Industry flat in 2009; TV revenues decline for the first time



The estimated total TV revenues of the UK independent production sector declined for the first time in 2009, though the overall sector size remained flat at c. £2.2bn due to growth in non-TV revenues

Independent producer revenues by TV and non-TV activities



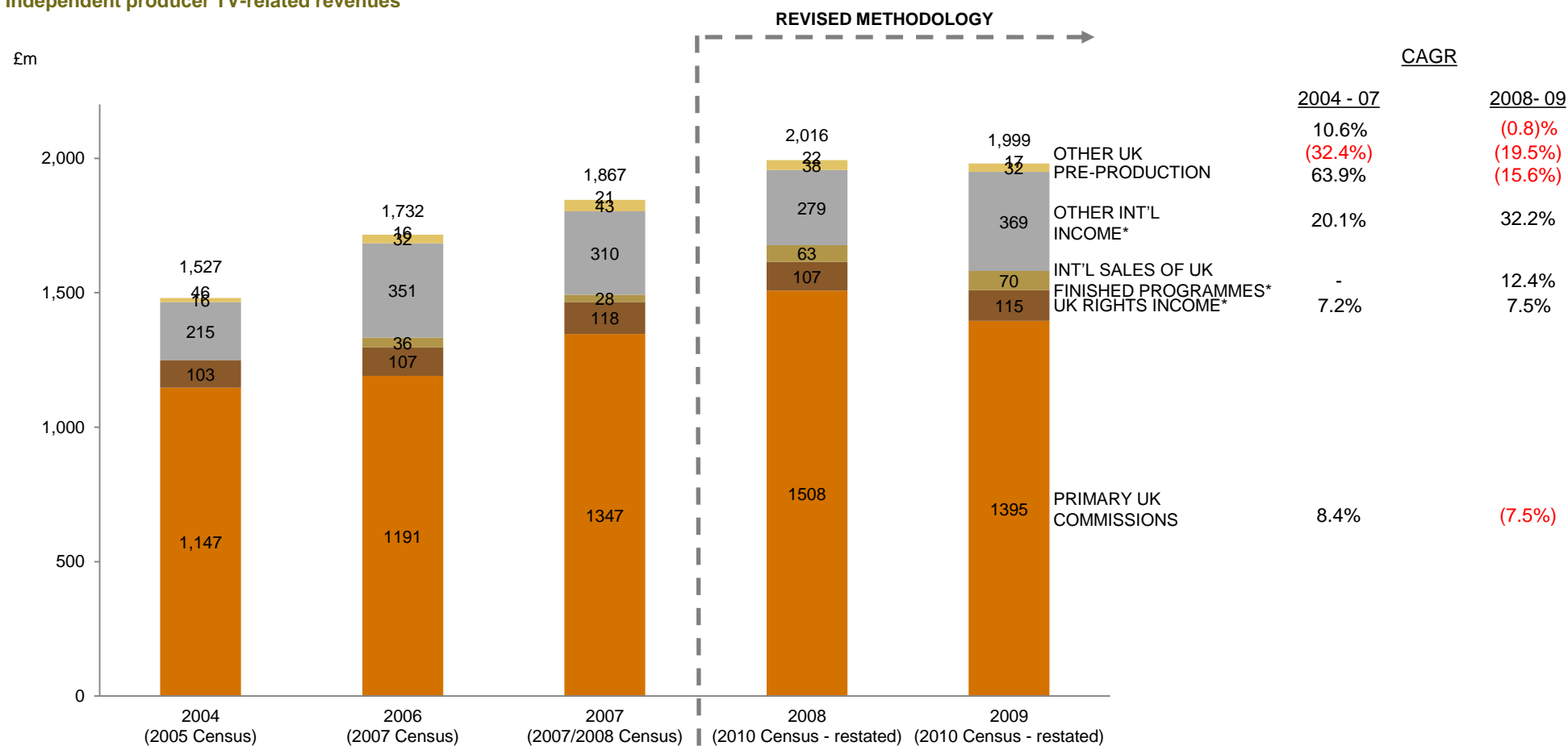
Revenue growth and profitability

Declining primary UK commissions offset by success overseas



The fall in TV income was driven by declining UK primary commissions which fell by over £100m in 2009 compared with the previous year. Continued growth in international income has been an important counterweight to this trend

Independent producer TV-related revenues*



*Definitions: 'Other international income' - revenue from companies overseas operations and any primary commissions received from non-UK broadcasters; 'Int'l sales of UK finished programmes' - sales of first run UK programming sold as finished product abroad; 'UK rights income' – UK secondary sales, publishing, formats, DVD sales etc.
 Source: Oliver & Ohlbaum analysis, PACT census

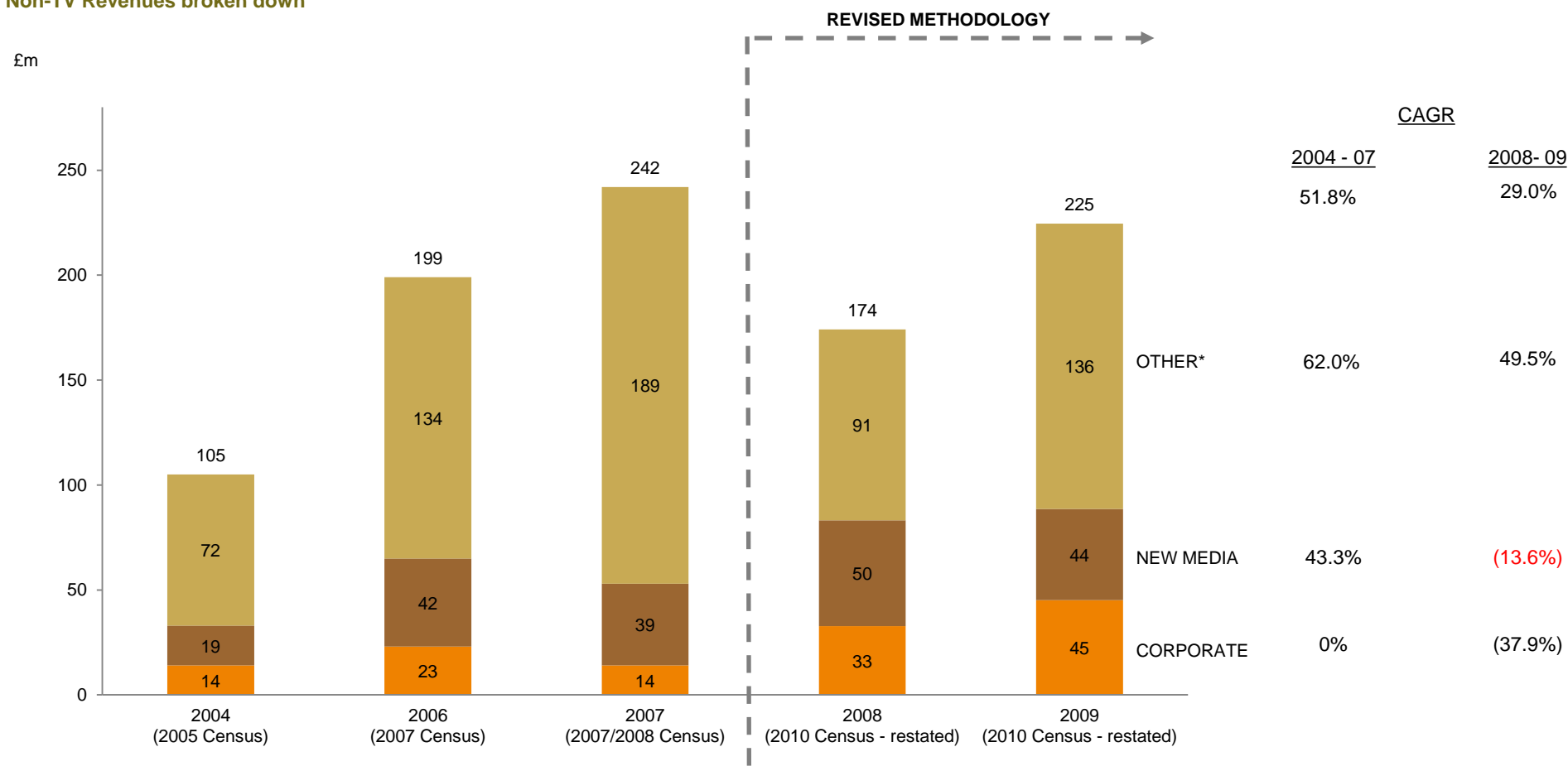


Revenue growth and profitability

Non-TV revenues continue to grow

Non-TV revenues have shown continued growth in 2009, though the figures remain small overall in comparison with the TV-related income of the sector

Non-TV Revenues broken down



*'Other' includes online publishing, talent management, promotions, public relations & feature films. Figures are particularly sensitive to specific company performance and M&A activity.
 Source: Oliver & Ohlbaum Analysis, PACT census

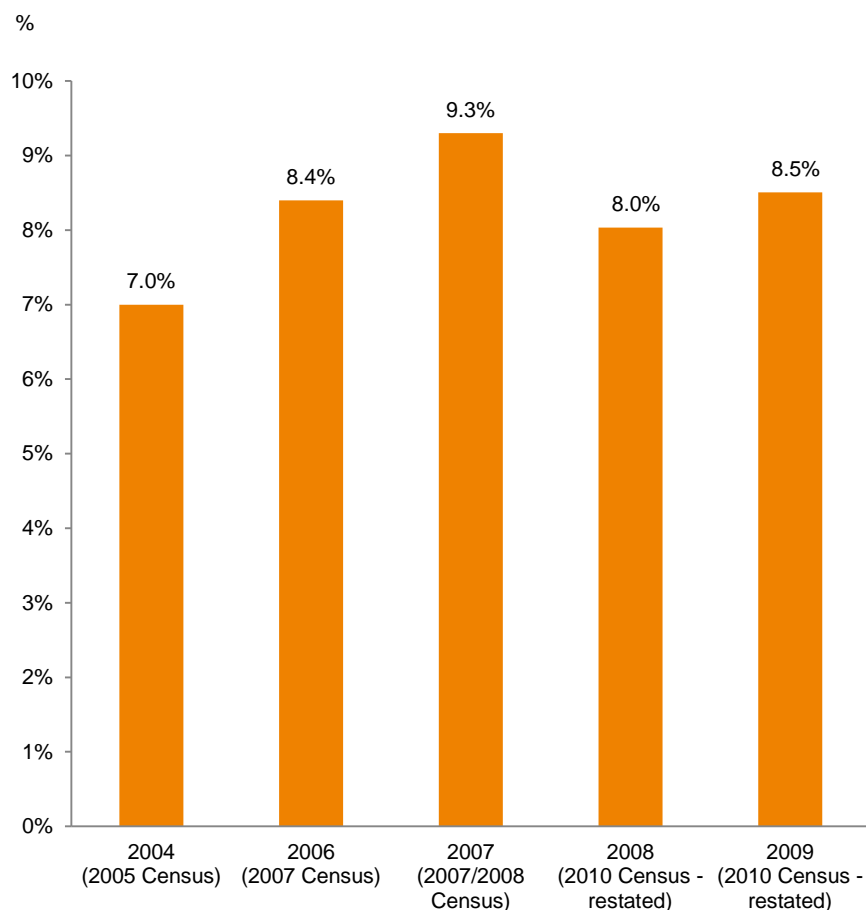
Revenue growth and profitability

Average industry margin sustained but greater polarisation of returns

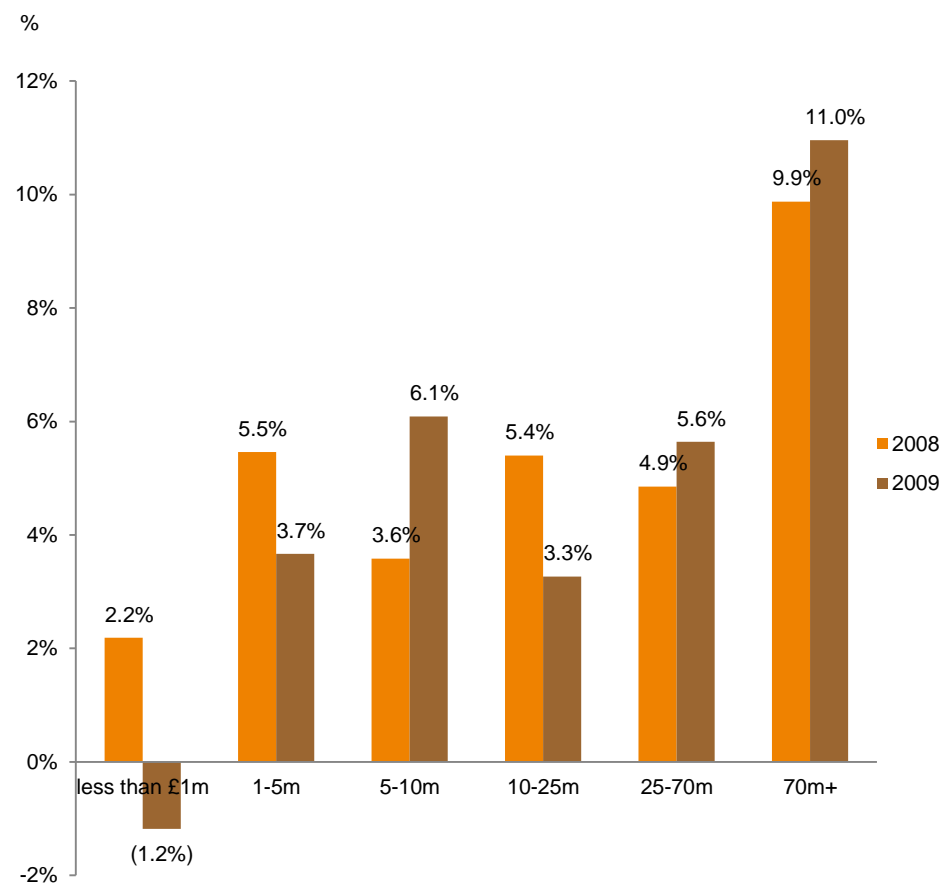


While average sector profitability has been maintained, this masks an increasing polarisation of returns between the large, international indies and those with smaller turnovers

Net margins, 2004 to 2009



Distribution of industry profitability by company turnover band



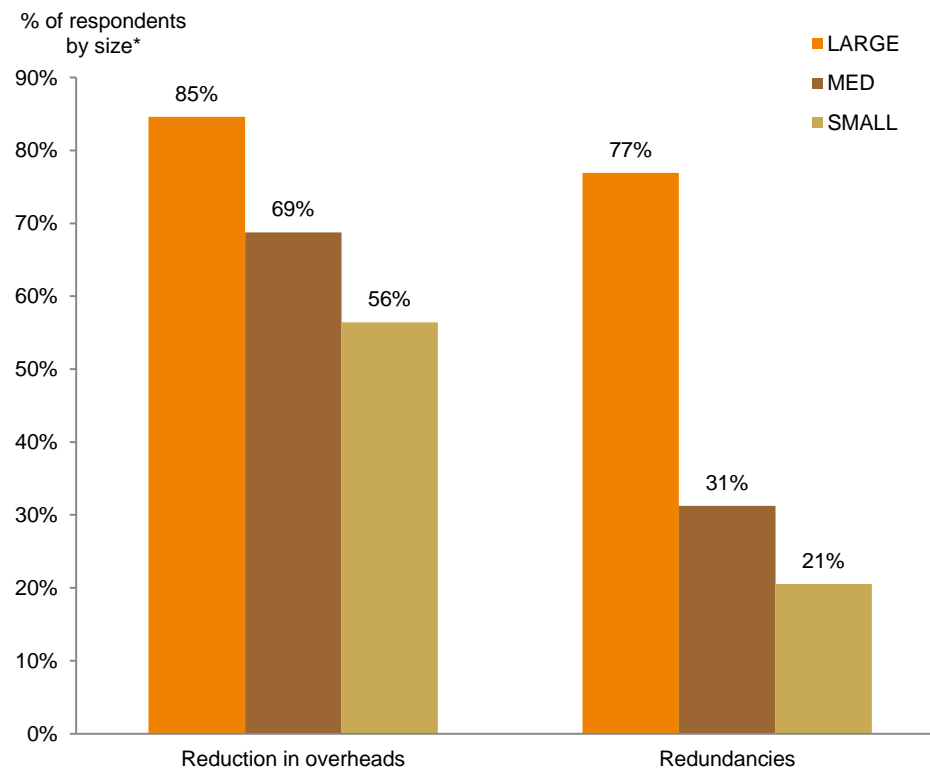
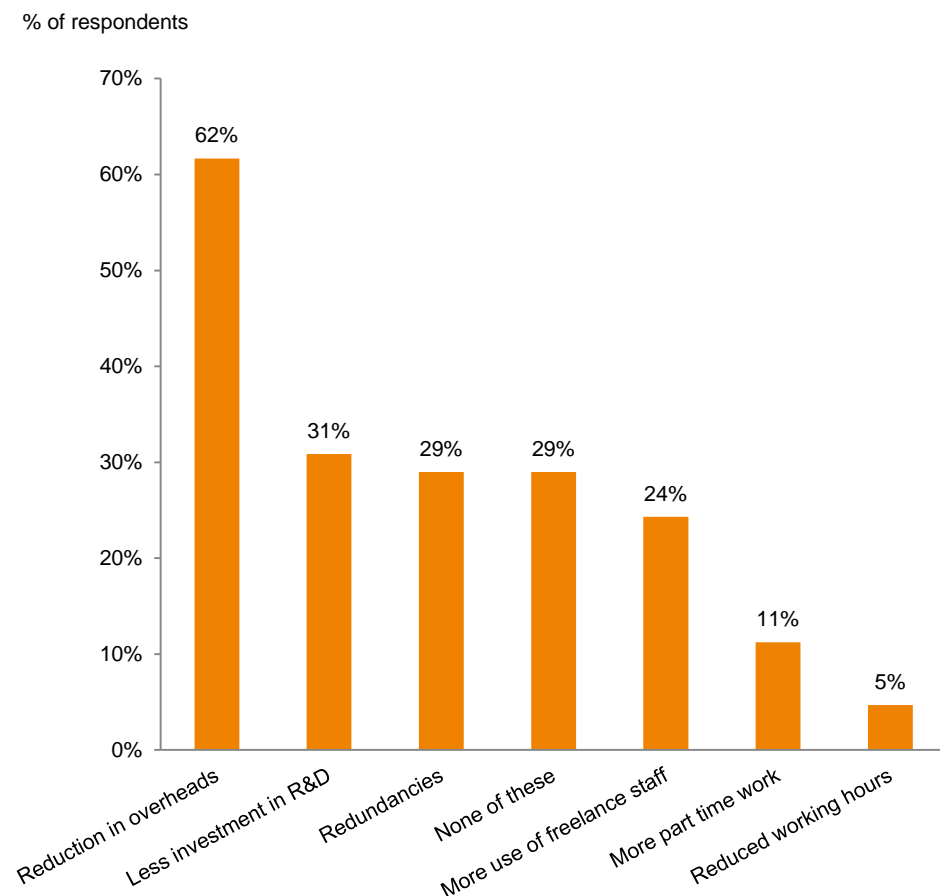
Revenue growth and profitability

Cost reduction has played an important role in maintaining margins



Just under two thirds of all respondents to the policy survey stated that they had reduced overheads in the last 12 months while around a third cut back on R&D or made redundancies

Response to Q: *Over the last 12-18 months, has your company been forced to introduce any of the following cost efficiencies?*



*Company size defined by self-reported revenue brackets: 'Large' - £20m+, Med - £5m-£20m, Small – less than £5m

Source: Oliver & Ohlbaum analysis, PACT policy survey Q6

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- Drama spending falls but remains leading genre in terms of spend

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UK commissioning trends

Summary



Commissioning income from the three main commercial network groups has fallen by over £100m year-on-year with a greater proportion of the remaining spend now going to medium-large indies (over £25m turnover)

The four main networks still dominate primary commissioning, however pressures on revenues have seen their share of independent commissioning fall from 87% to 85%.

Within this, commissioning spend from the three main UK commercial networks fell by over 12% in 2009.

An increasing proportion of commissioning spend to the independent production sector is being concentrated in medium-large indies, with strong growth in their share of C4 and Five spend.

There is some evidence of greater risk aversion in commissioning, with proportionately less spent on new strands in 2009 and a reduction in spending on drama productions.

Four main networks' share of total commissioning spend fell overall in 2009, with commercial network groups making big reductions

- The four main terrestrial network groups (the BBC, ITV, C4 and Five plus their spin offs) accounted for an estimated 85% of UK TV primary commissions to the independent sector, down slightly on 2008
- Within this BBC spend declined 2% while spending from the commercial broadcasters fell by over 12% from £842m in 2008 to £735m in 2009

The share of main networks spend with medium to large indies has increased

- The share of external commissioning spend placed with medium to large indies (defined as having turnover of over £25m per annum) by the BBC and ITV remains large at 73% and 83% respectively in 2009
- The share of spend placed with medium to large indies by C4 and Five has increased significantly in 2009 suggesting that commissioning cuts may be disproportionately impacting on smaller production companies with those broadcasters

Evidence suggests broadcasters are becoming more risk averse in their spending

- While the BBC and Five maintained investment in new commissions (as a proportion of spend), ITV and C4's spending on new commissions fell in 2009
- Drama remains the largest externally commissioned genre by value, however has fallen from 41% to 37% of total spend. Spend continues to grow in lifestyle and entertainment (which are most typically associated with formatted programming)

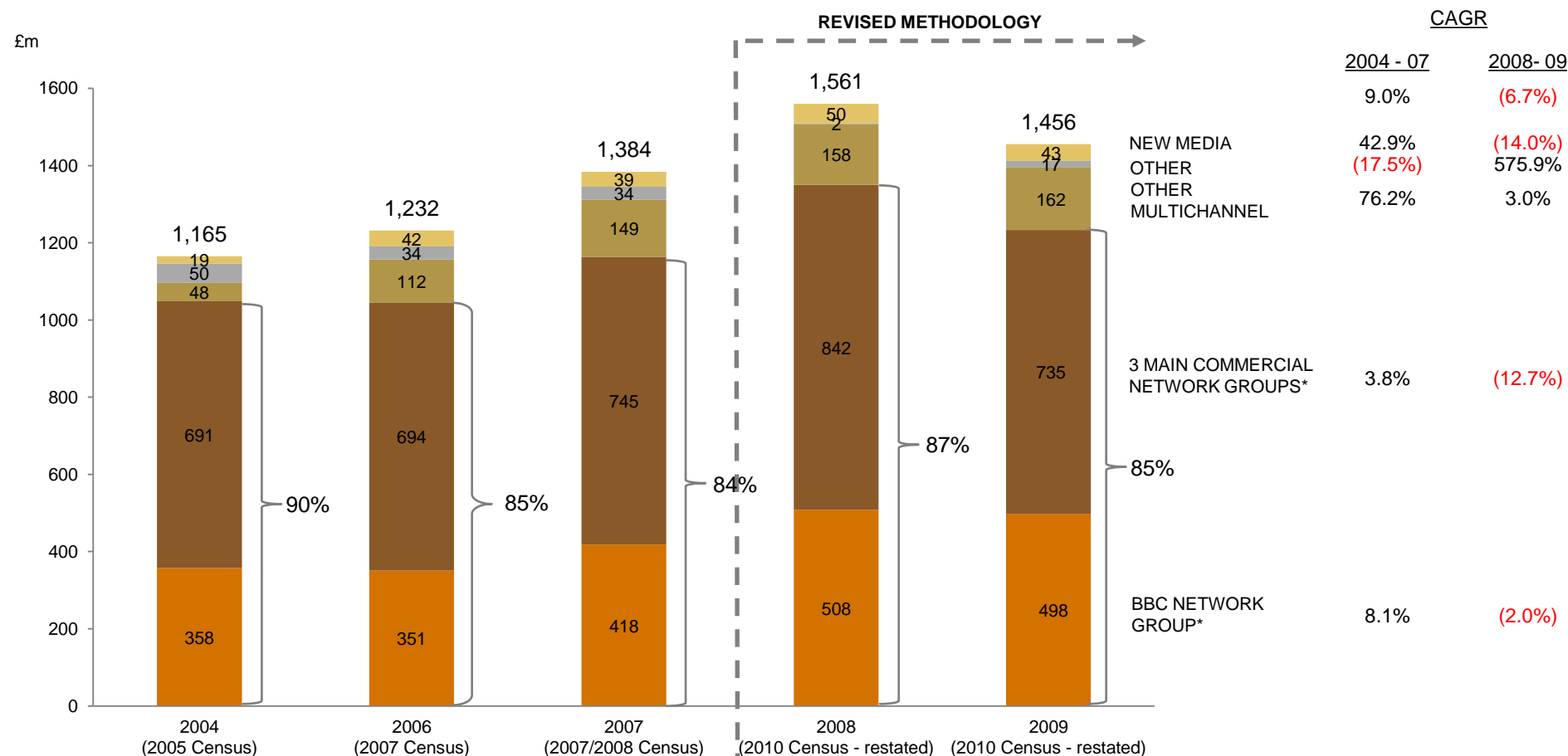
UK commissioning trends

Reduced commissioning spend has been led by the three main commercial networks



Falling commissioning budgets among the three main UK commercial network groups has led to an overall reduction in independent sector income from UK commissions

Value of UK Commissions by Broadcaster (Including new media)**



* Includes spin-off channels; **Total value of commissions derived from 'Primary UK commissions' on slide 8 combined with 'New media' and 'other' revenues
 Source: Oliver & Ohlbaum analysis, PACT census

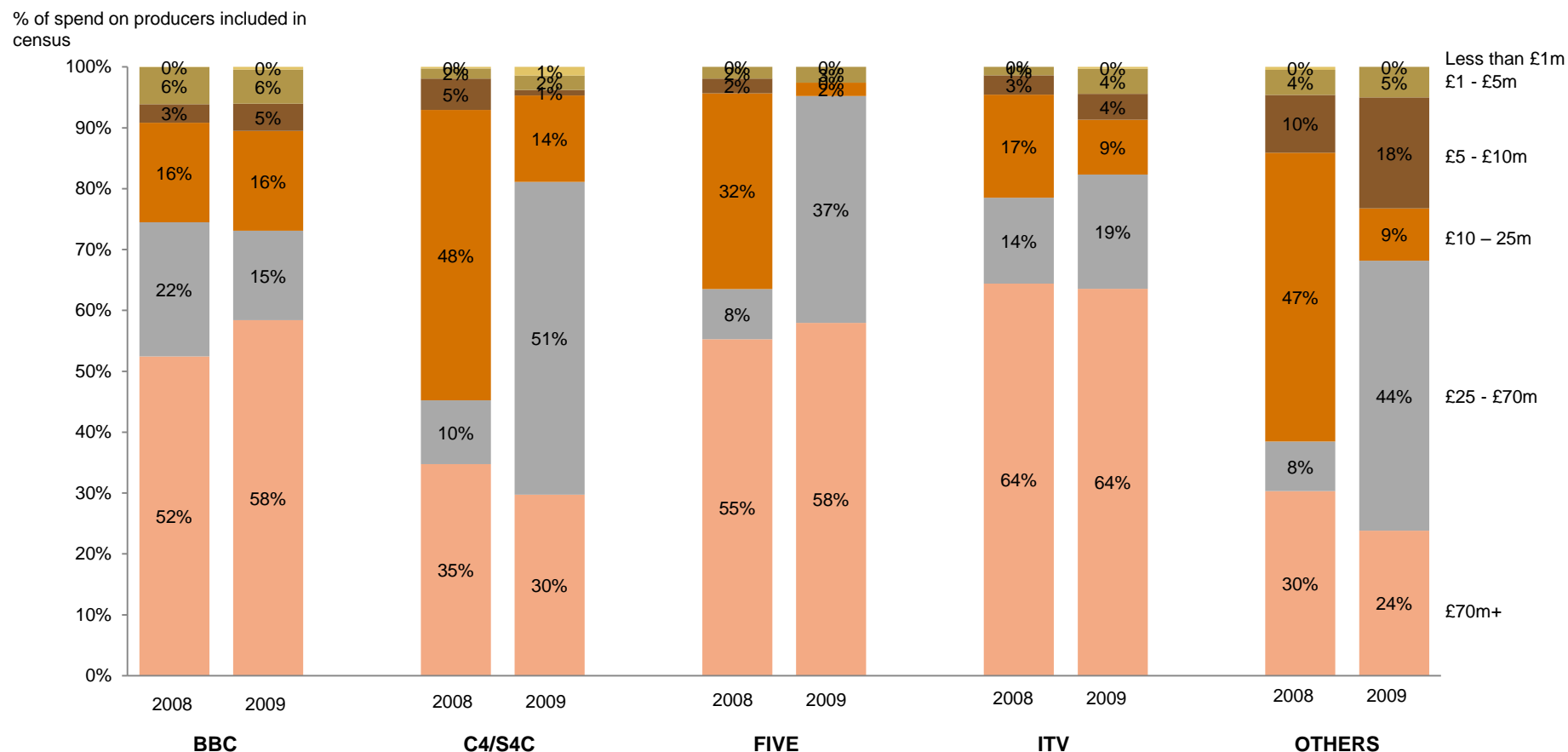
UK commissioning trends

Commercial network commissioning spend shifting to larger indies



Channel 4 and Five have seen substantial increases in the proportion of their external commissioning spend going to indies with over £25m per annum turnover

External commissions by UK broadcaster split by company turnover band, 2008 & 2009*



*2008 figures restated using returns from 2010 census
 Source: Oliver & Ohlbaum Analysis, PACT census

UK commissioning trends

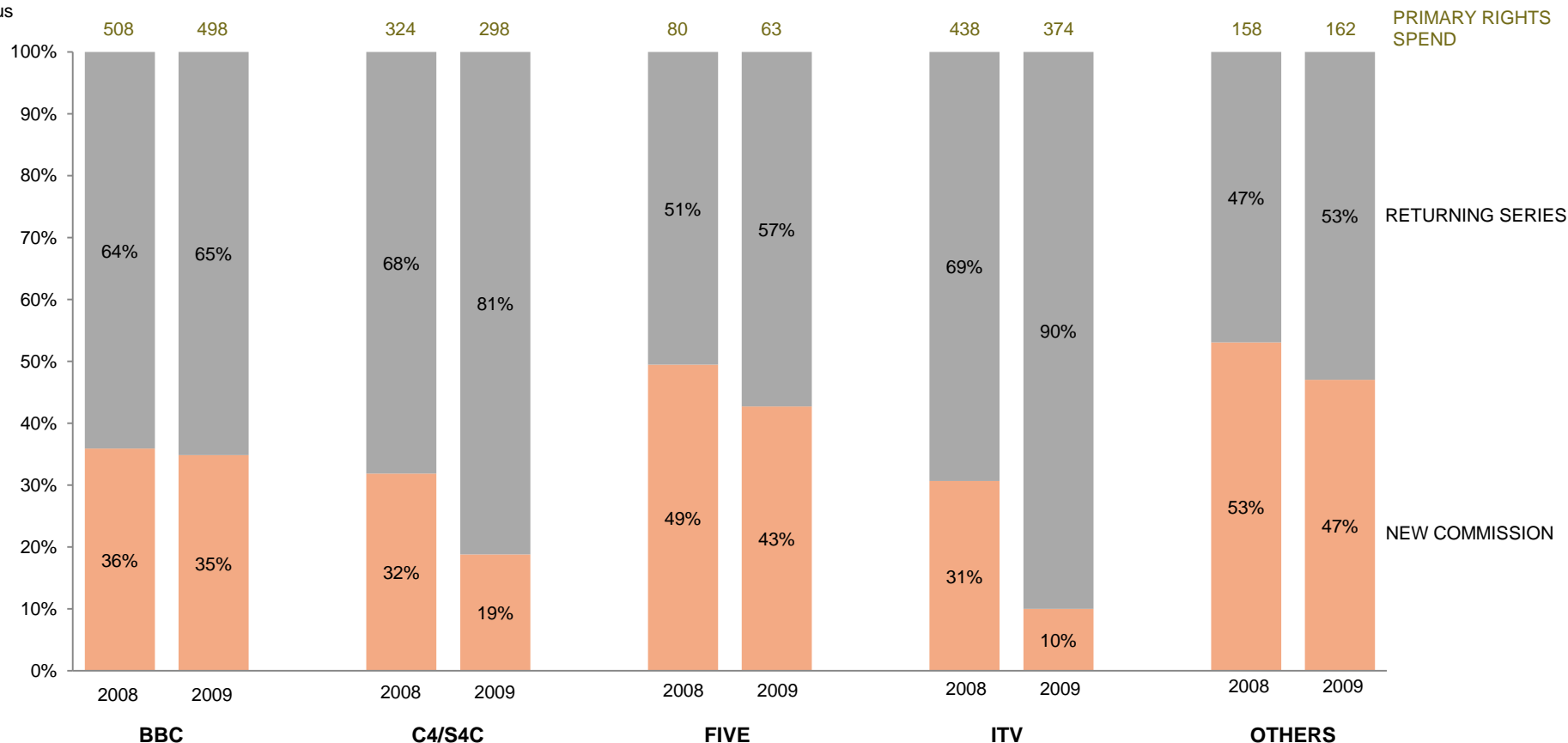
Number of new commissions from ITV and C4 has fallen significantly



While the BBC and Five have maintained investment in new commissions (as a proportion of spend), ITV and C4's spending on new commissions has fallen significantly

UK Commissions Value by Broadcaster- New Commissions and Returning Series*

% of spend on producers included in census



*2008 figures restated using returns from 2010 census
Source: Oliver & Ohlbaum Analysis, PACT census

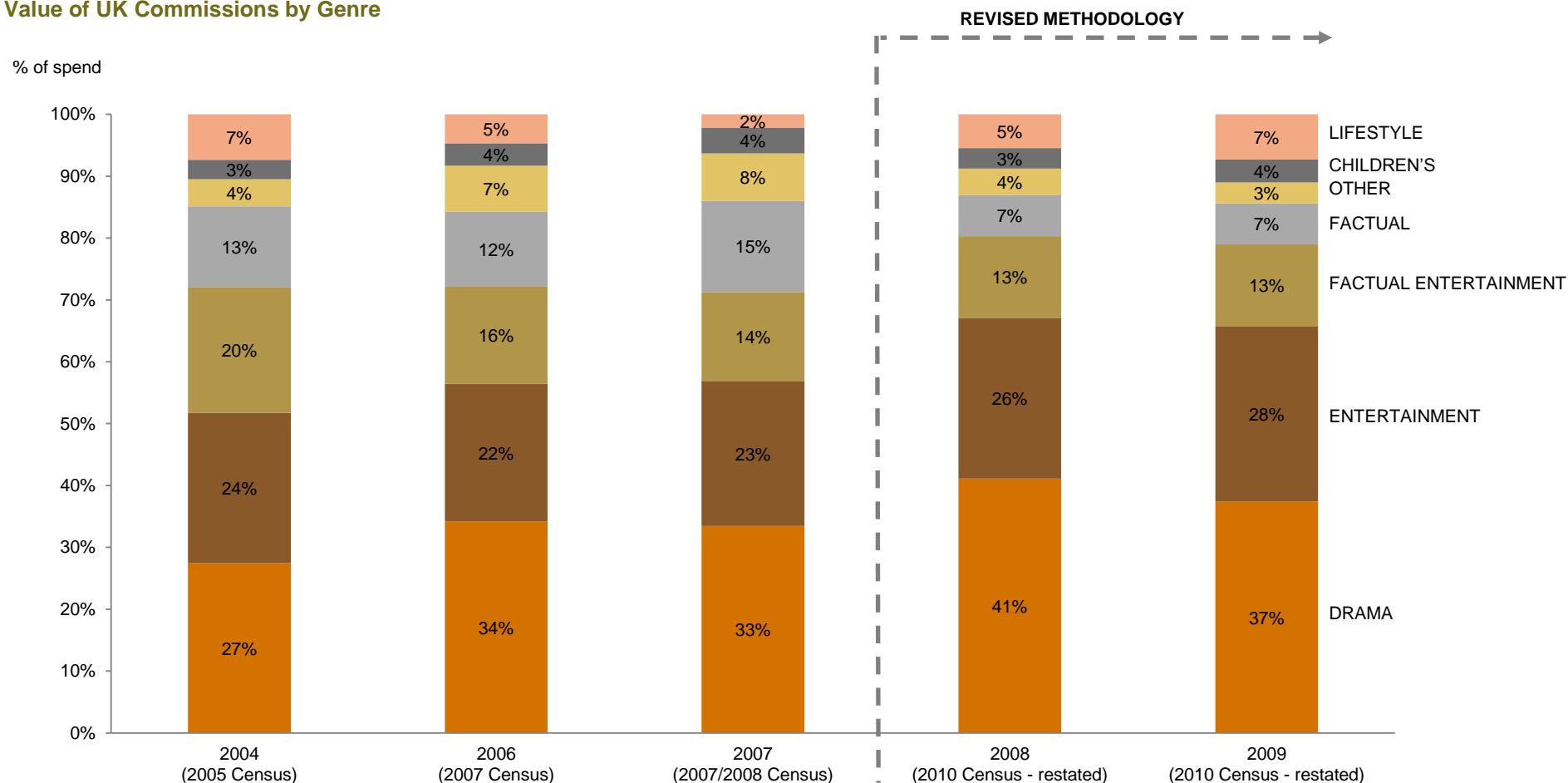
UK commissioning trends

Drama spending falls but remains leading genre in terms of spend



Drama remains the largest externally commissioned genre by value, however has fallen from 41% to 37% of total spend. Spend continues to grow in lifestyle and entertainment

Value of UK Commissions by Genre



Source: Oliver & Ohlbaum Analysis, PACT census

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- The US remains the leading market for UK indies operating overseas
- Respondents see international commissions becoming increasingly important
- Drama, factual entertainment and documentaries most successful
- Just under a third of respondents have licensed formats internationally
- UK indies have continued to grow their international presence

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Trends in international income

Summary



At £439m, international revenues grew 28% in 2009 and now account for just under 20% of the total sector revenues. The US remains the main international market for UK indies and more are opening up overseas subsidiary businesses

UK indies have continued to expand into the international market.

This expansion has been reflected in this year's census with income from international activities, rights sales and commissions growing by 28% in 2009 to £439m.

The US remains a key market for international expansion, both in terms of the commissioning market and as a buyer of finished programmes and formats.

Drama, factual entertainment, documentaries and children's programming have been identified as the most successful genres internationally.

Respondents to the policy survey anticipate that international revenues will continue to grow in importance.

Revenues from international activities continue to grow

- In the last year, international revenues grew by 28% driven by rising international primary commissions, a doubling of international rights income and over 10% growth in international sales of UK finished programmes

The US remains the key market for UK-based indies looking to grow their international revenues

- Just over two fifths of all respondents to the policy survey received commissions from overseas markets in 2009. Of these, 43% received a commission from the US, which remains by some extent the most important market for commissions
- The US remains the most popular destination for licensing formats, with the large Western European markets and Australia not far behind
- Around a fifth of all respondents stated they have international subsidiary companies (up from 14% in the 2009 census)
- Of the respondents with international subsidiaries, 79% have offices in the US

Specific genres tend to do well overseas

- UK drama, factual entertainment, documentaries and children's programming remain the most attractive genre for overseas commissioning and rights exploitation

International expansion predicted to continue

- Over the last year more than a third of respondents have seen an increase in non UK commissions with an increasing proportion of respondents stating their belief that this trend will continue over the next two years

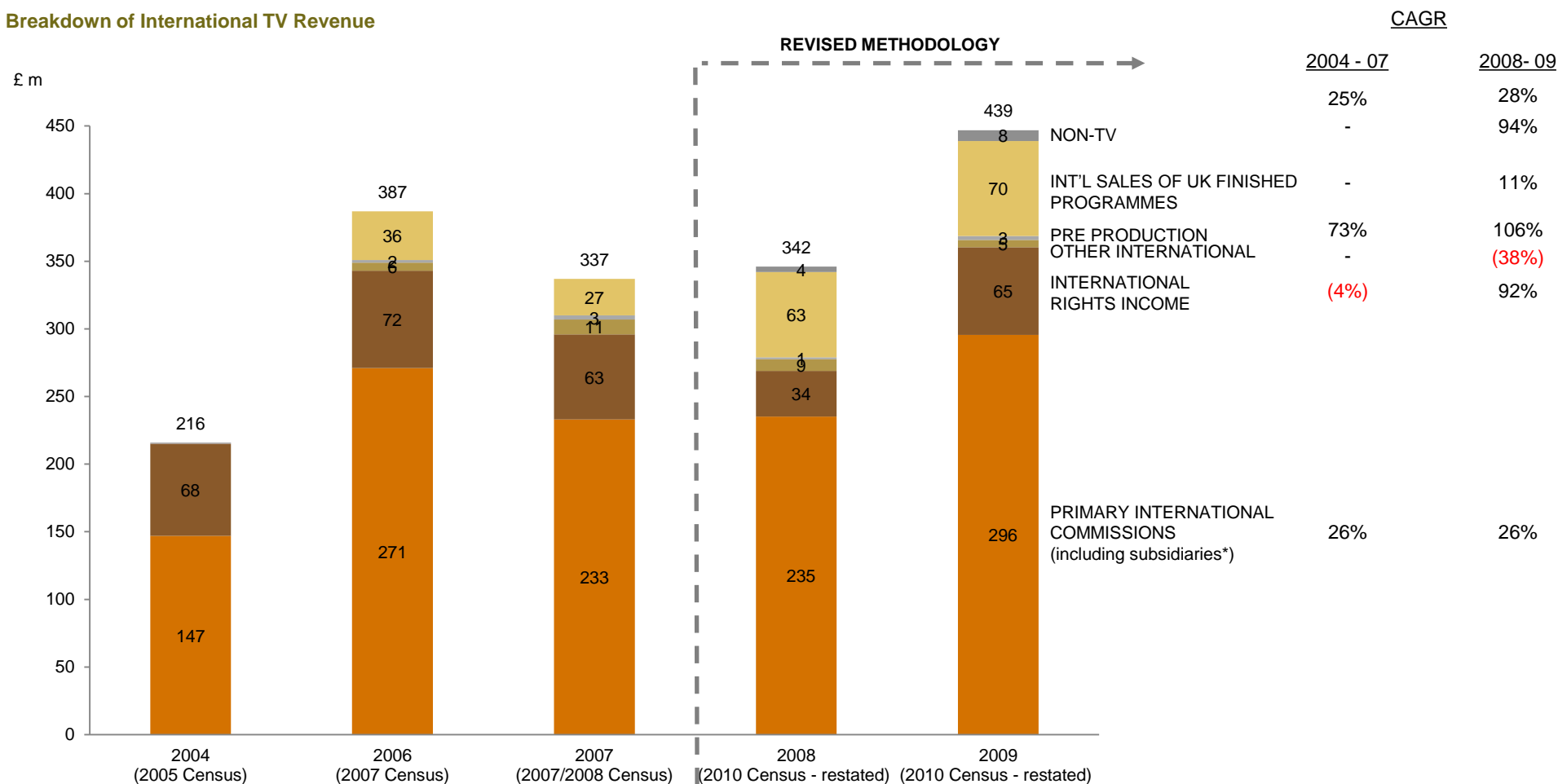
Trends in overseas income

International commissioning and rights income is a significant source of growth



In the last year, overseas revenues grew by 28% driven mainly by greater rights income and more overseas commissions. This reflects the increasingly international footprint of the leading UK indies

Breakdown of International TV Revenue



Trends in international income

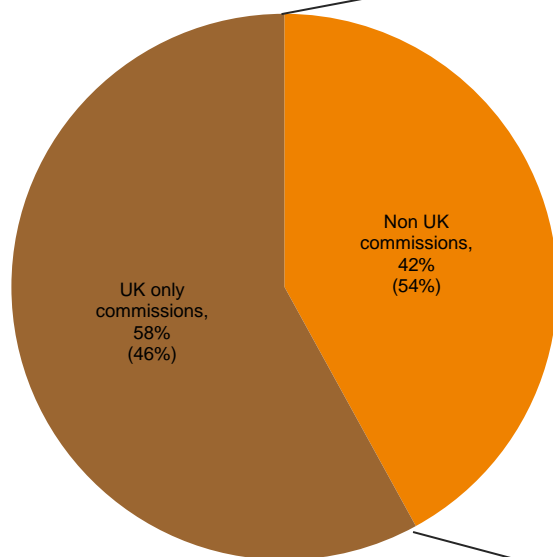
The US remains the leading market for UK indies operating overseas



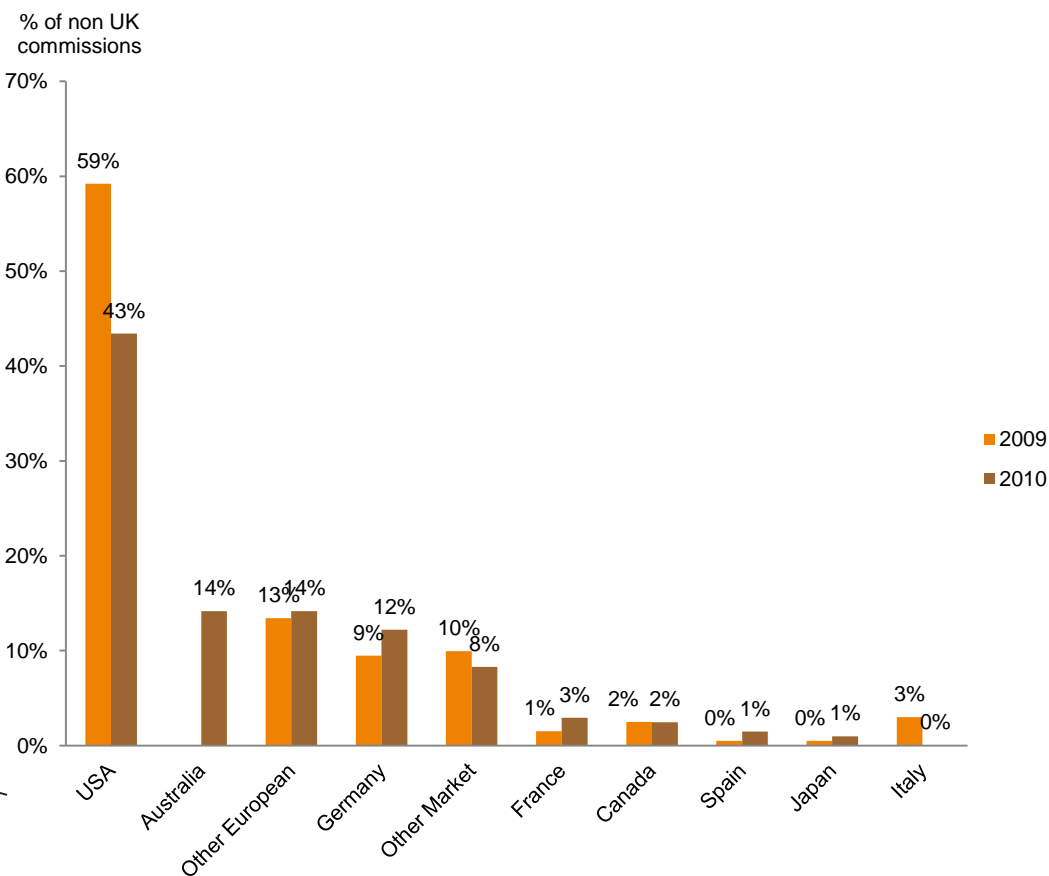
Just over two fifths of all respondents to the policy survey received commissions from overseas in 2009. Of these, 43% received a commission from the US, which remains the most important non-UK commissioning market

Response to Q: *Have you received any non UK commissions in the last 12 months? (2008 number in brackets)*

% of all respondents



Response to Q: *Which markets have these commissions come from?*



NOTE: these numbers are not mutually exclusive i.e. a number of producers may have licensed in more than one territory
 Source: Oliver & Ohlbaum analysis, PACT policy survey Q29 & 30

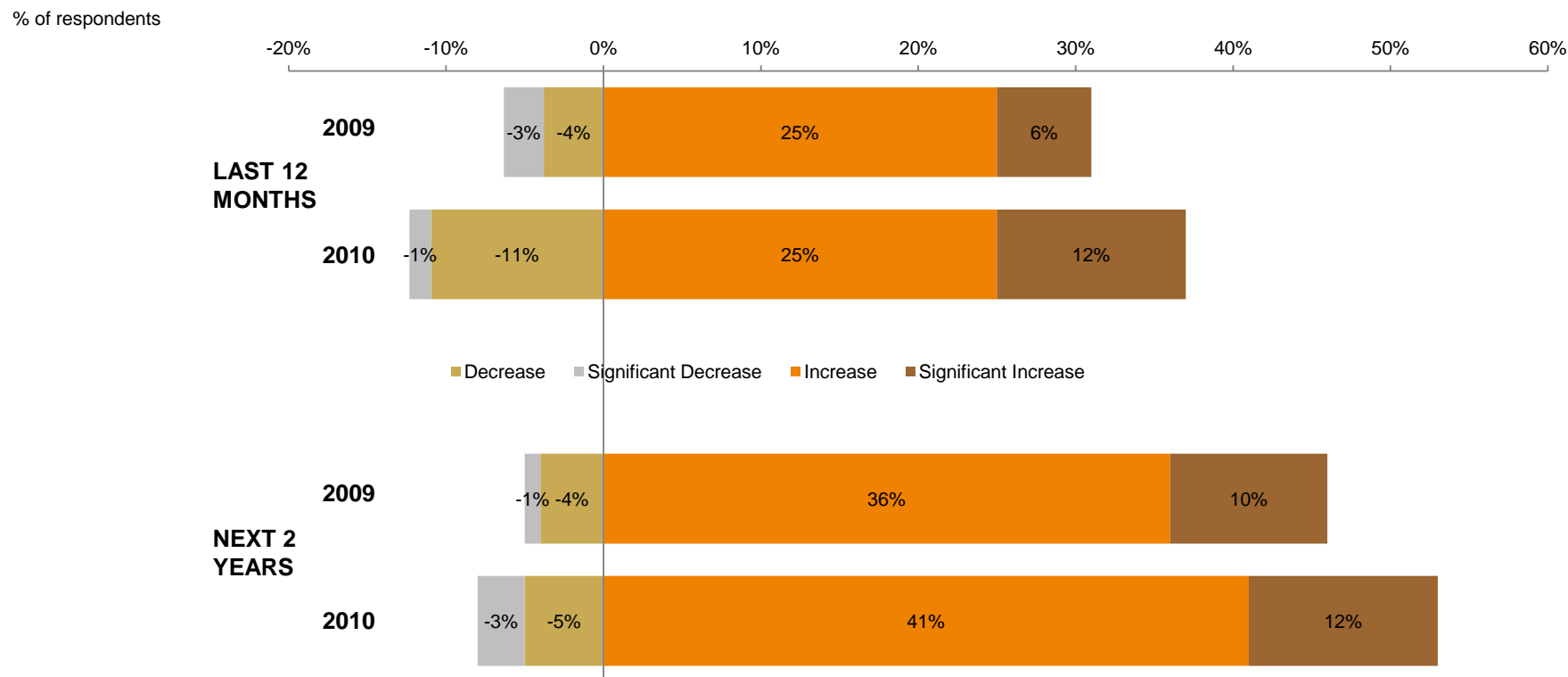
Trends in international income

Respondents see international commissions becoming increasingly important



Over the last 12 months over a third of respondents have seen an increase in non UK commissions. Fewer respondents stated that there would be no change suggesting a greater polarisation between winners and losers in international markets

Response to Q: *Could you give an indication of how the number of commissions you've received from outside the UK has changed in the last 12 months and will change in the next 2 years?*



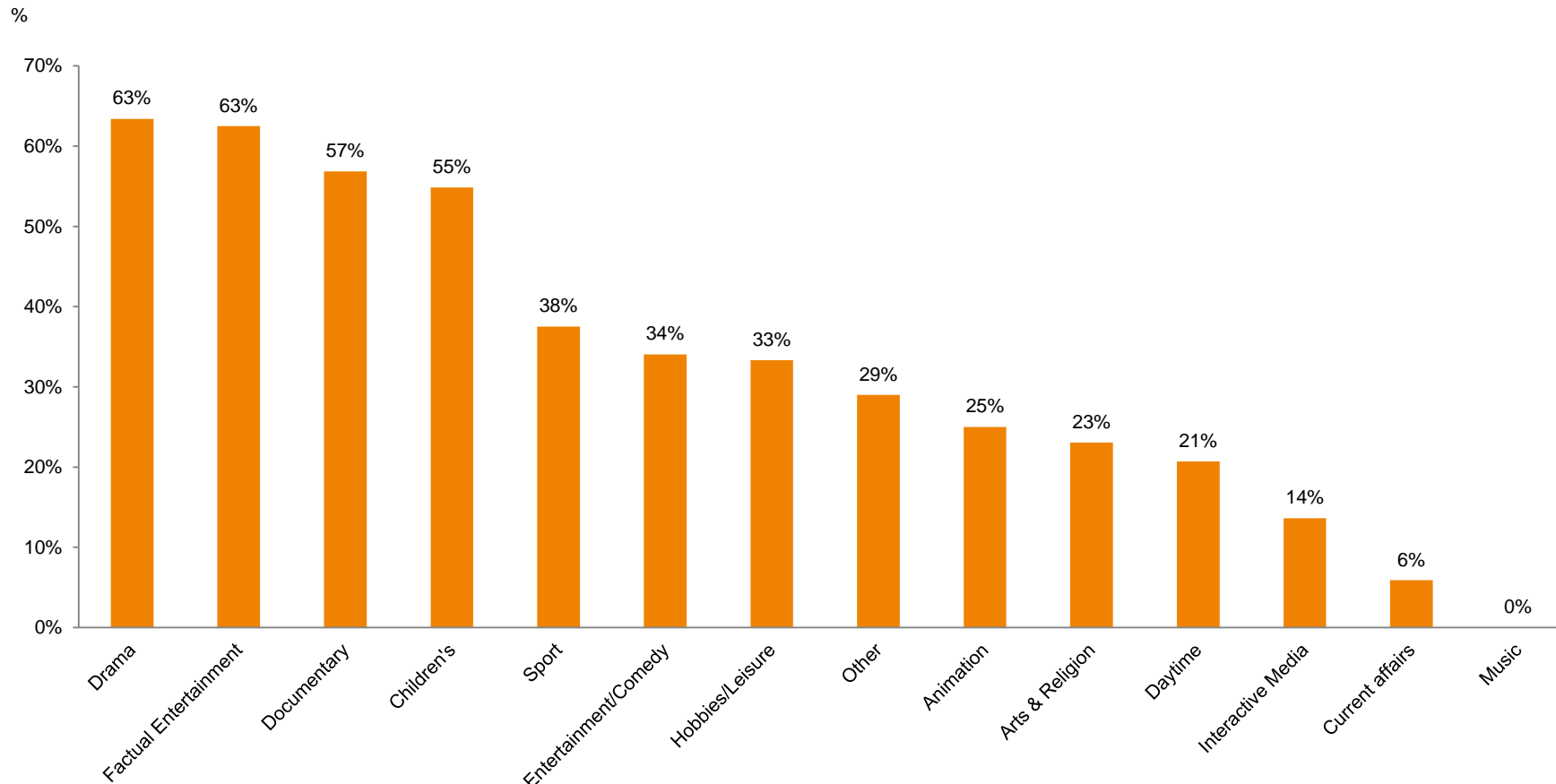
Trends in international income

Drama, factual entertainment and documentaries most successful



According to the policy survey results there are four genres that tend to be the most successful in the international market namely drama, factual entertainment, documentaries and children's

Response to Q: *What genres that you currently produce do you view as being the most successful in the international market?*



Trends in international income

Just under a third of respondents have licensed formats internationally

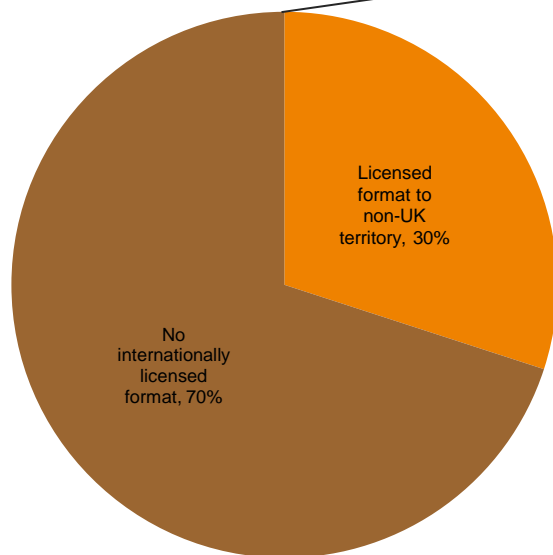


The US remains the most popular destination for licensing formats, with the large Western European markets and Australia not far behind

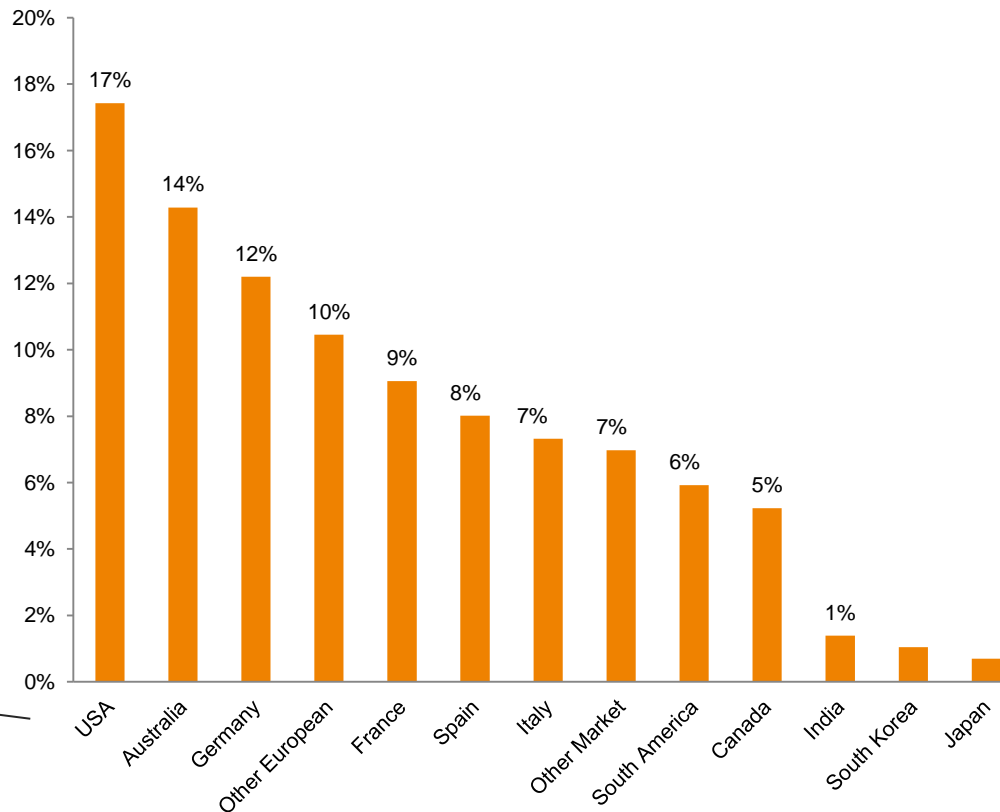
Response to Q: *Have you licensed any formats internationally in the last 12 months?*

Response to Q: *Which markets have you licensed formats to?*

% of all respondents



% of non UK commissions



NOTE: these numbers are not mutually exclusive i.e. a number of producers may have licensed in more than one territory
 Source: Oliver & Ohlbaum analysis, PACT policy survey Q32 & 33

Trends in international income

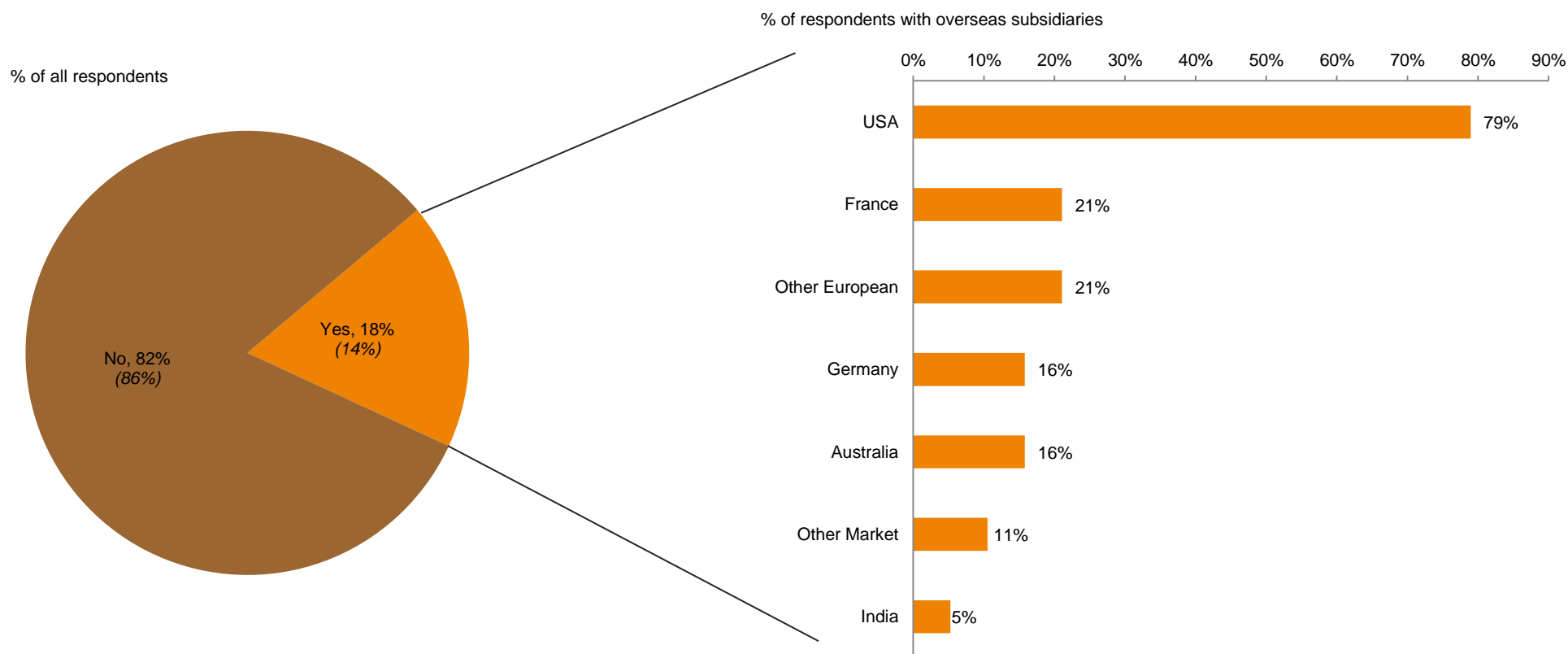
UK indies have continued to grow their international presence



In response to the overseas opportunity a fifth of all respondents stated they have international subsidiary companies (up from 14% in the 2009 census). Of these, 79% have subsidiaries based in the US

Response to Q: *Do you have any overseas subsidiary companies?*

Response to Q: *Where are they based?*



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- The USA remains the most important international market for rights

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Rights exploitation

Summary



UK rights exploitation revenue also grew in 2009, driven mainly by increased sales of UK formats abroad and an increase in the value of UK finished programme sales abroad

The total revenue generated from UK content rights was up 10%, from £169m in 2008 to £185m in 2009.

The year-on-year increase was driven by greater format sales abroad and more income from UK finished programme sales.

UK domestic secondary sales continue to decline.

Respondents to the policy survey identified the US as the most important overseas market in terms of secondary sales.

New media revenues remain a small proportion of rights exploitation with the majority of indies reporting that they did not make any new direct deals with on-demand platforms in 2009.

Income from the rights exploitation of UK content continues to grow, up 10% in 2009

- Continued success in overseas format sales and in the sale of UK finished programming to overseas networks has supported increases in rights income to £185m in 2009
- While rights income has been growing overseas, the UK secondary rights market continues to decline in value terms year-on-year

The US is seen as being the key overseas market for rights sales, though other leading European and English-speaking markets are now significant destinations for UK content

- The US remains the most important market in terms of secondary sales.
- Australia was identified as an important market with 57% of respondents highlighting it as such
- France, Germany and Canada are the next most highly ranked of the potential export markets for UK content

New media contribution to rights income remains small

- New media revenues accounted for just 2% of all revenue from rights exploitation

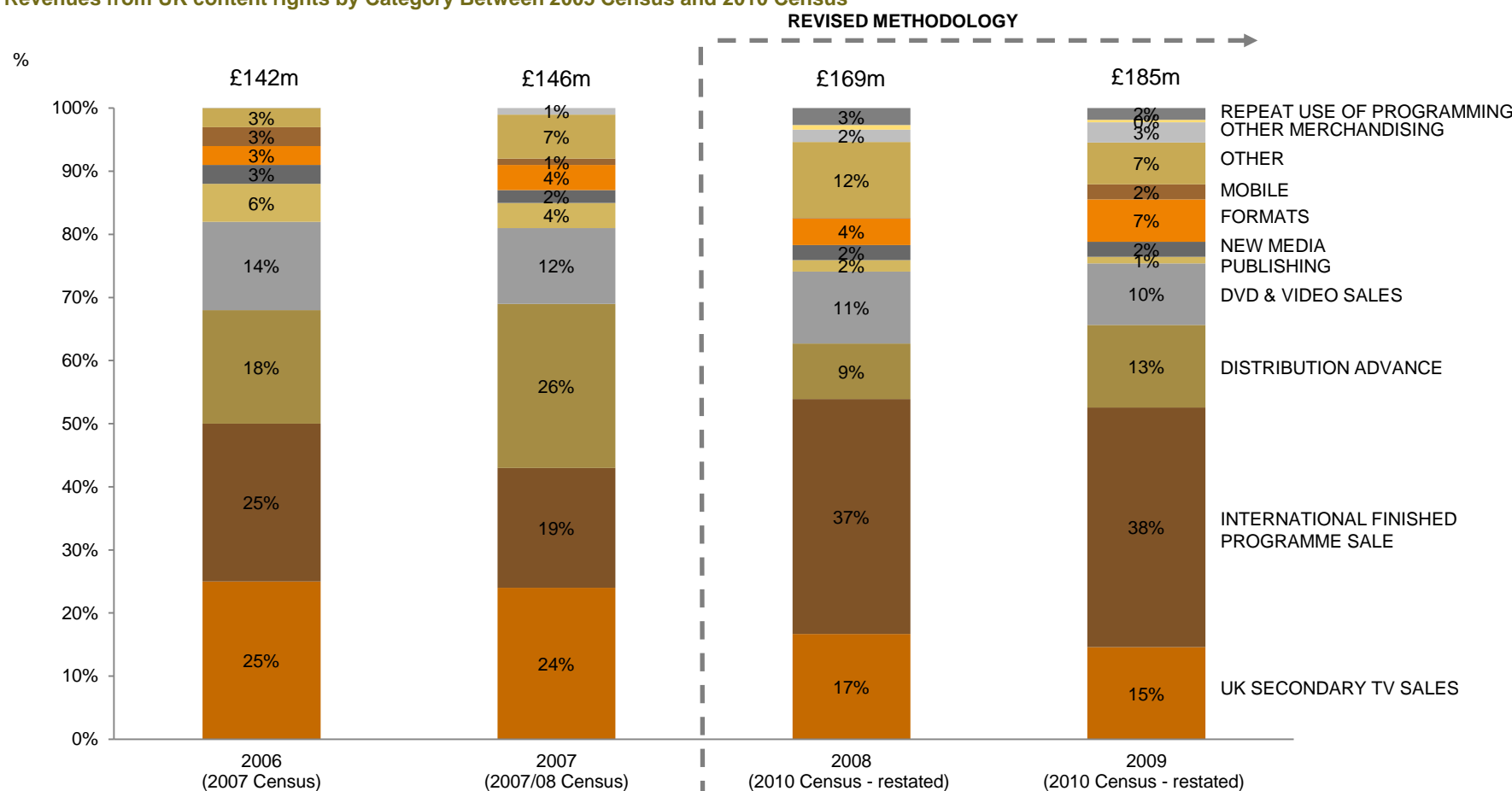
Rights exploitation

Overall growth in UK rights exploitation although UK secondary sales declining



2009 saw a further decline in the contribution of secondary TV sales to rights revenues. Formats and international finished programme sales together now account for 45% of all rights revenues

Revenues from UK content rights by Category Between 2005 Census and 2010 Census*



*This section refers the following combined figures as detailed on slide 8 – ‘UK rights income’ and ‘Int’l sales of UK’

Source: Oliver & Ohlbaum analysis, PACT census

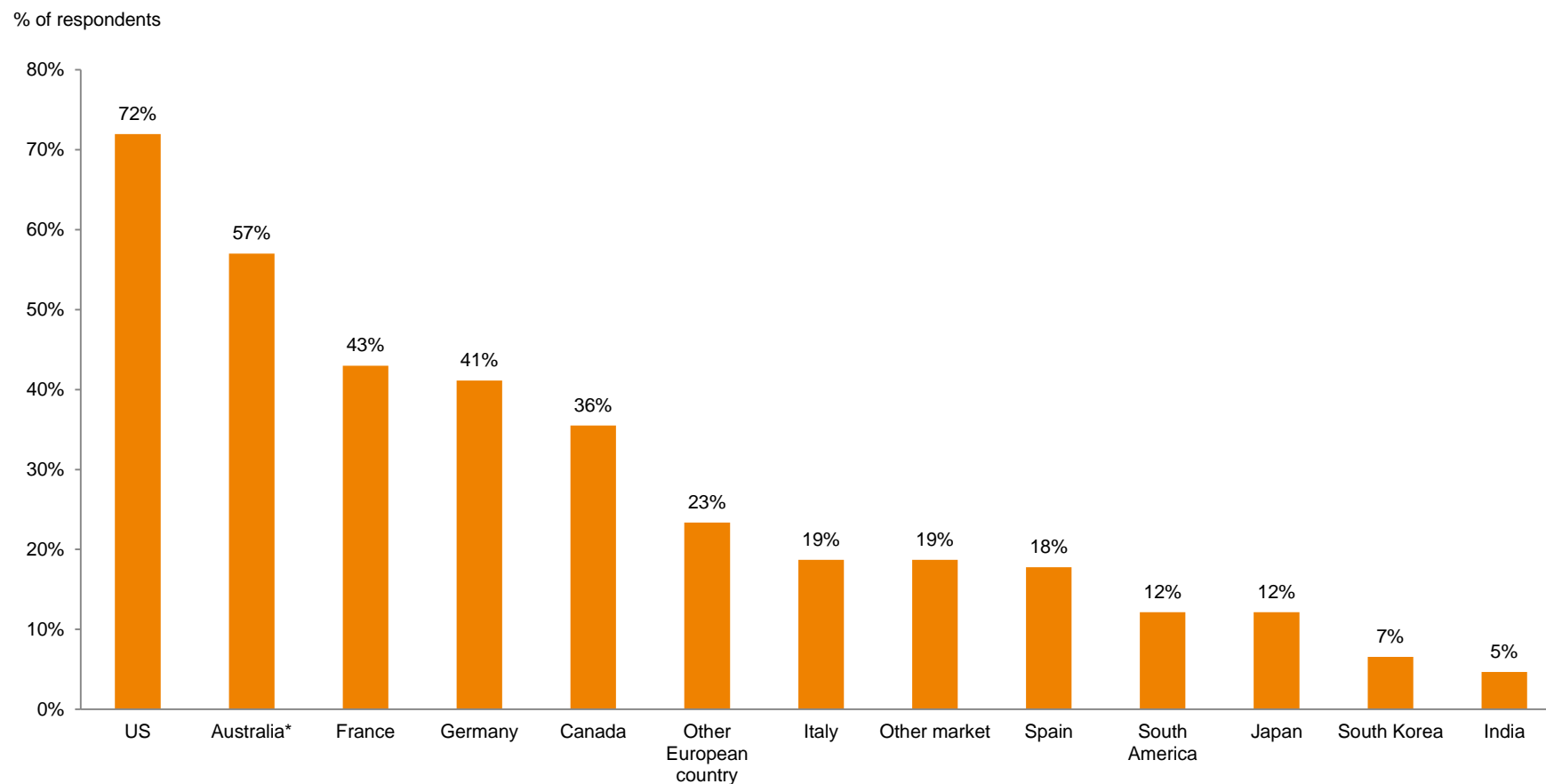
Rights exploitation

The USA remains the most important international market for rights



The US remains the most important market in terms of secondary sales while Australia, Canada and the two largest Western European markets are seen as significant destinations for UK content

Response to Q: *What markets are most important to you in terms of secondary sales?*



* In the 2009 Survey Australia and New Zealand were combined. 2010 represents only data for Australia
 Source: Oliver & Ohlbaum analysis, PACT policy survey Q23

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- Deficit financing more prevalent across almost all genres
- The proportion of gap finance by strand has not changed significantly
- Combined these factors suggest some genres under more funding pressure than others

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Sources of additional finance

Summary



Trends

The contribution of indies to programme finance has grown and has now reached around £200m

Indie's contribution to finance has grown and has now reached around £200m

Policy survey results suggest gap financing was more prevalent in 2009 across almost all genres while the average proportion of gap financing has also increased for most genres

Indies contribution grows to around £200m

- The incremental contribution to productions in 2009 from the Indie sector was an estimated £165m-£210m
- This increase reflects mainly a further reduction in primary prices for commissions. Reduced primary prices leaves a wider deficit for the producer to fund and as is shown from the policy survey results, deficit financing has been more prominent across a large number of genres

Majority of genres in need of more gap financing

- Drama remains the genre most in need of gap financing, with 68% of drama strands requiring gap funding in the past 12 months – a significant increase from 42% of drama strands in the previous year
- A large number of entertainment/comedy and drama strands required gap funding in the last 12 months while music and animation strands still typically require a higher level of gap funding

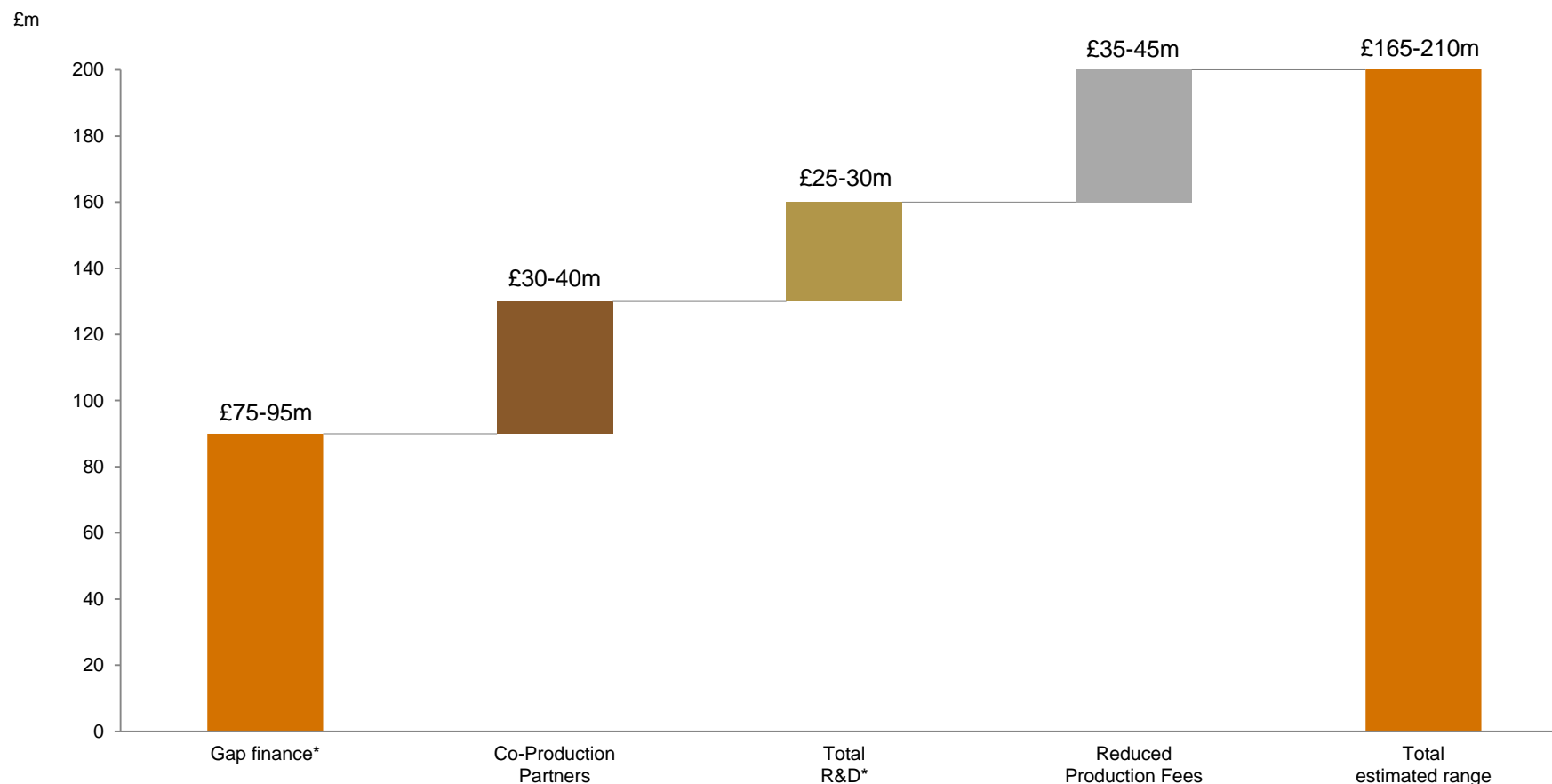
Sources of additional finance - 2009

Indie's contribution to finance has grown and now estimated at around £200m



The incremental contribution to productions in 2009 from the Indie sector was an estimated £165m-£210m, a small increase on last year driven by a further reduction in production fees

Estimated value of contribution to productions, 2009



Note: Gap finance is defined as where the primary commission is less than the direct costs of the programme

Source: O&O analysis, PACT census and estimates

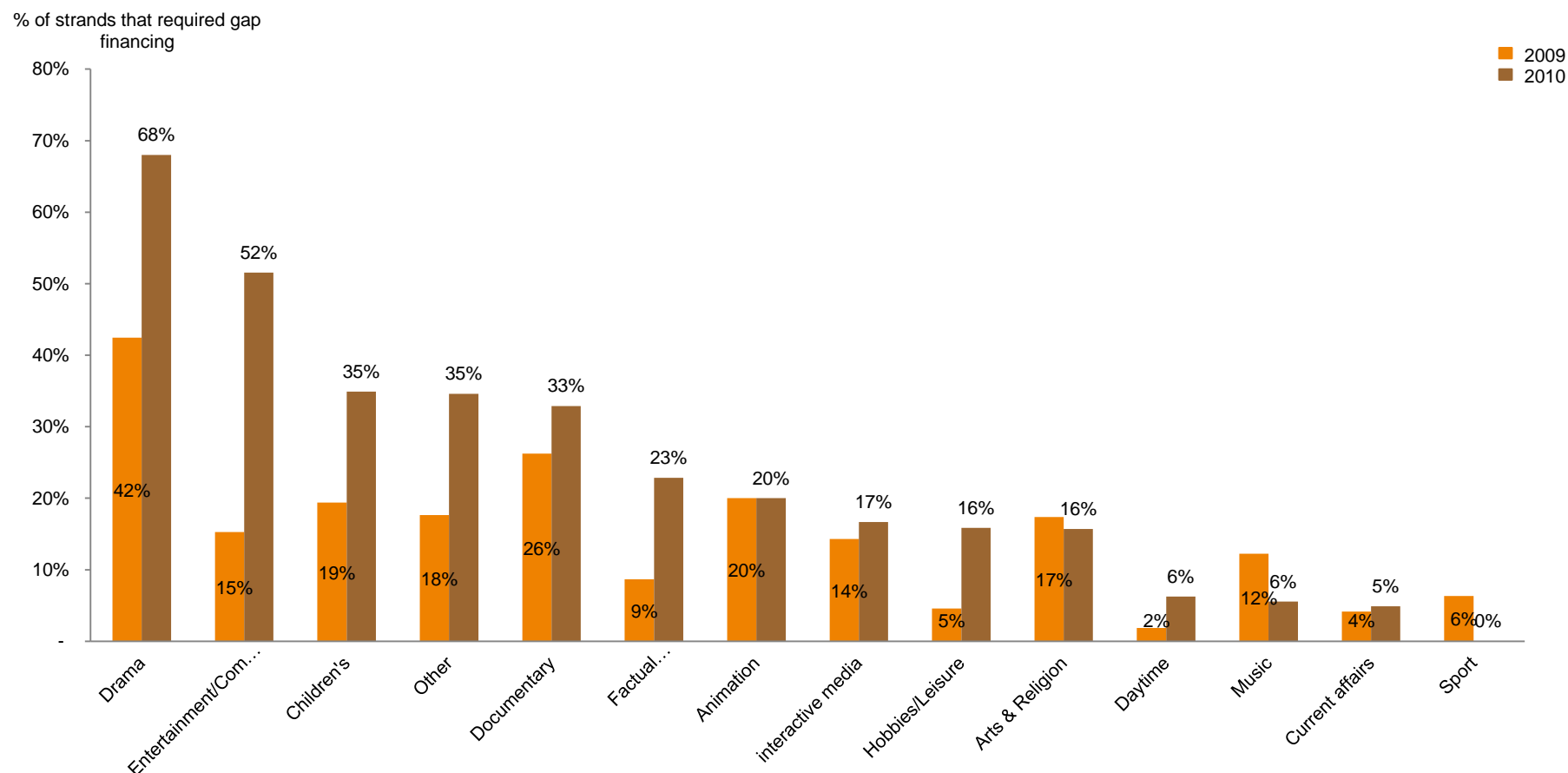
Sources of additional finance

Deficit financing more prevalent across almost all genres



Responses to the policy survey indicate a general shift in the market towards more gap financing of productions, with Drama remaining the genre where gap finance is most prevalent

Response to Q: How many of the strands that you've produced in the last 12 months (2009/10) required some degree of gap financing?*



*Here a 'gap financed' project is defined as one where the primary price per hour commissioned by the broadcaster does not cover the direct and indirect costs of making the programme (i.e. Before allocation of any company overheads, etc)

Source: Oliver & Ohlbaum analysis, PACT policy survey Q17

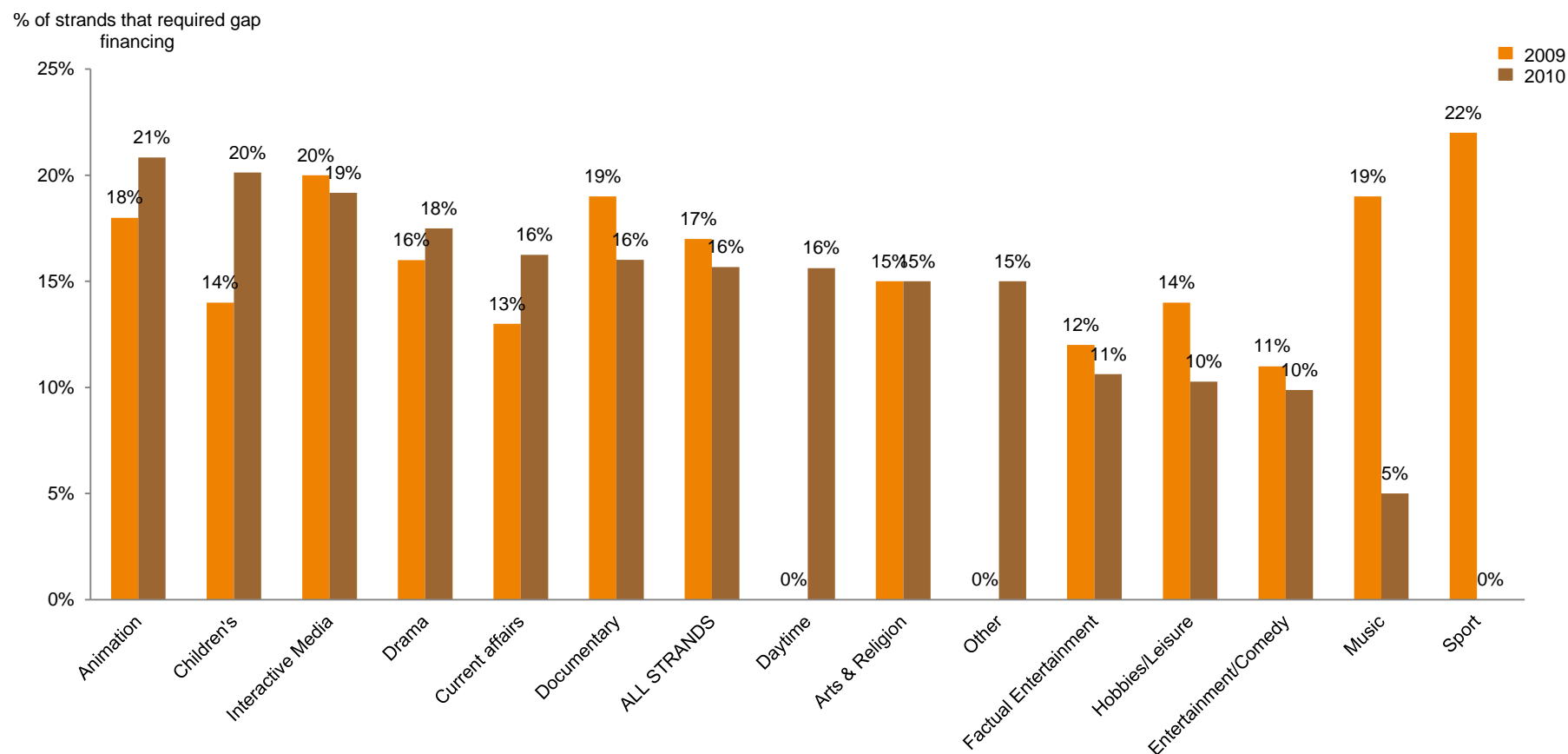
Sources of additional finance

The proportion of gap finance by strand has not changed significantly



In animation, children’s, drama and current affairs the level of reported gap financing has increased while for other genres such as documentaries and factual entertainment there has been a nominal decline

Response to Q: *What was the broad average proportion of gap financing?**



*Here a 'gap financed' project is defined as one where the primary price per hour commissioned by the broadcaster does not cover the direct and indirect costs of making the programme (i.e. Before allocation of any company overheads, etc)

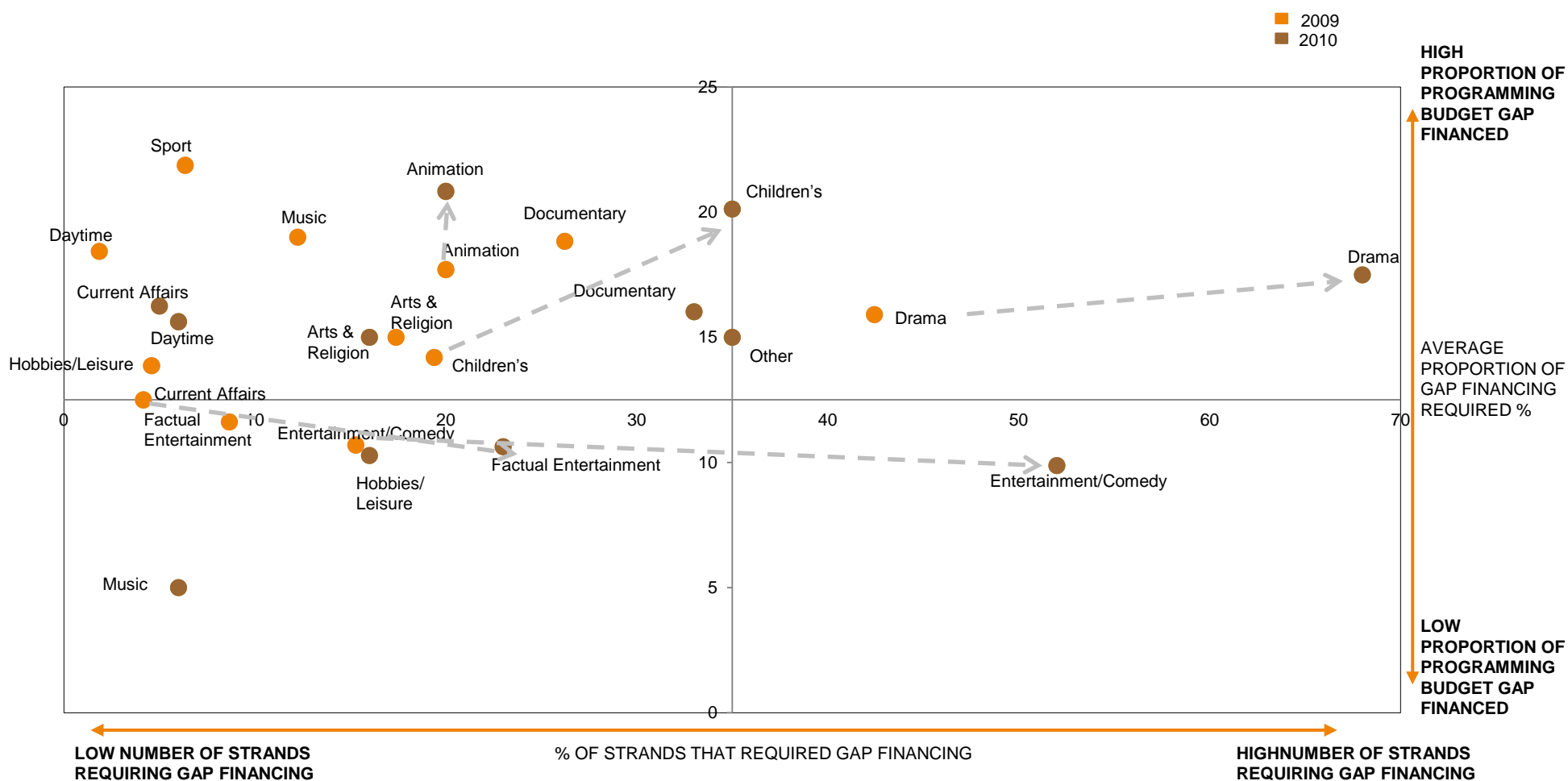
Source: Oliver & Ohlbaum analysis, PACT policy survey Q17

Sources of additional finance

Combined these factors suggest some genres under more funding pressure than others



Drama, Entertainment and Children's productions have seen the largest shifts towards more gap finance, either in terms of the number of strands, average scale of gap finance or both factors combined



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- Primary prices have fallen in the last 12 months
- Over half of respondents now seeing delays in planned commissions

Section 8: Future prospects – the next 3 years

The impact of the downturn in 2008/09

Summary



The 2010 Policy survey suggests that the downturn has had an adverse impact on primary prices while over 50% of producers state that some recent commissions have been delayed

The number of survey respondents indicating that primary prices have fallen in the last year has increased

For returning strands, the number of respondents seeing price reductions has increased by 20%, indicating a substantial weakening in this area of the market

Delays and postponements to commissions remain a strong feature of the current economic environment with over 50% of respondents indicating that they have had planned commissions delayed in 2009

Primary prices under pressure

- The number of respondents indicating that they have experienced primary price reductions for returning strands in 2009 has gone up by 20%
- The number of respondents experiencing price declines for new commissions has also increased by 6% in 2009
- Combined, around 60%-70% of respondents have seen price declines in 2009 for their commissioned strands

Delays and postponements commonplace

- A large proportion of producers have found that production has been postponed on planned titles in 2009 and that broadcasters are delaying commissions until the economy stabilises

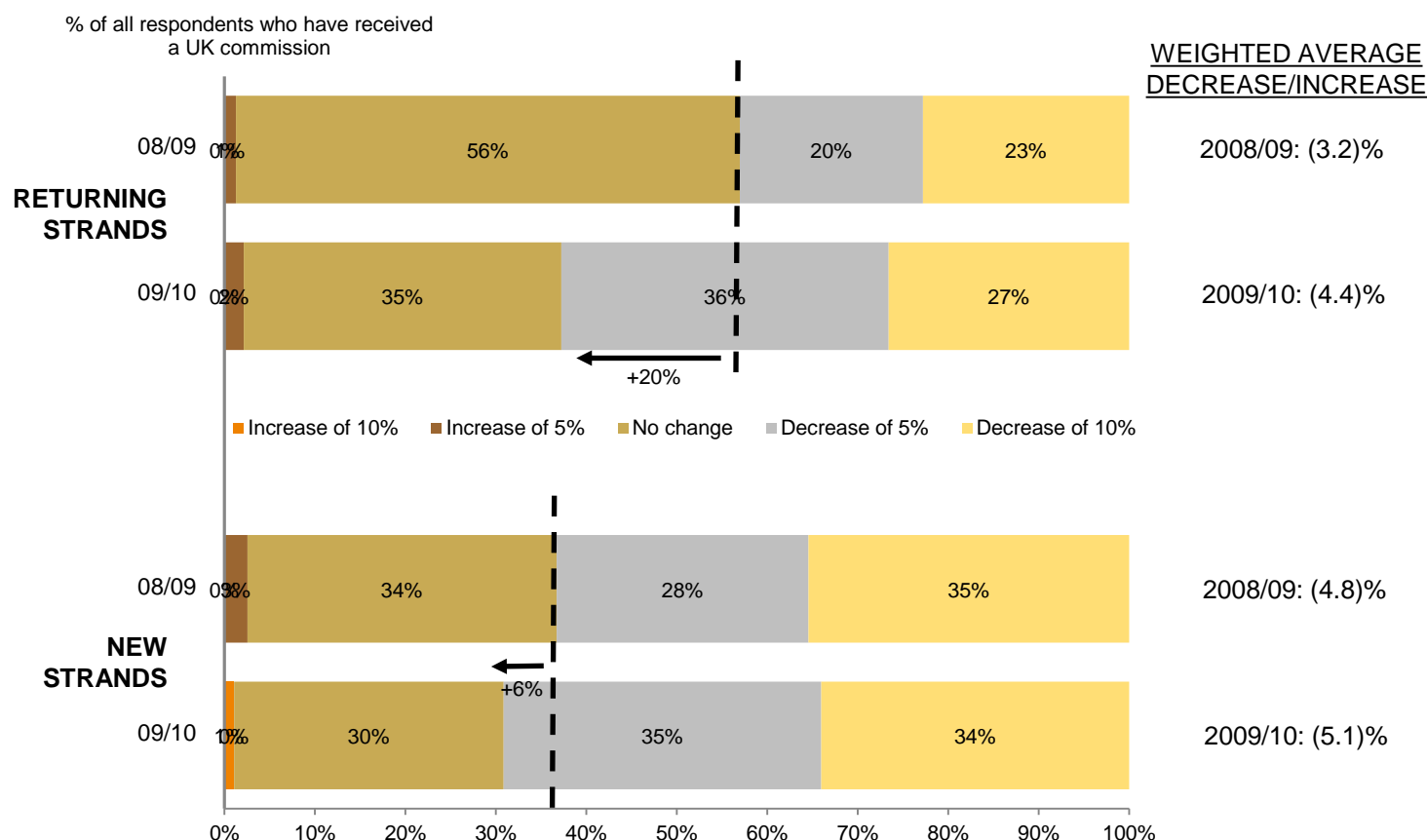
The impact of the downturn in 2008/09

Primary prices have fallen in the last 12 months



The number of respondents seeing declines in primary prices has increased in 2009, most noticeably for returning strands where 20% more indies have seen decreases of at least 5%

Response to Q: How have primary prices per hour changed in 2009/10 compared with 2008/09?



- 63% of respondents have seen prices for primary commissions of returning strands fall in the last year (36% indicating a 5% decrease; 27% indicating a 10% decrease)
- 69% of respondents have seen prices for primary commissions of new strands fall in the last year (35% indicating a 5% decrease; 34% indicating a 10% decrease)

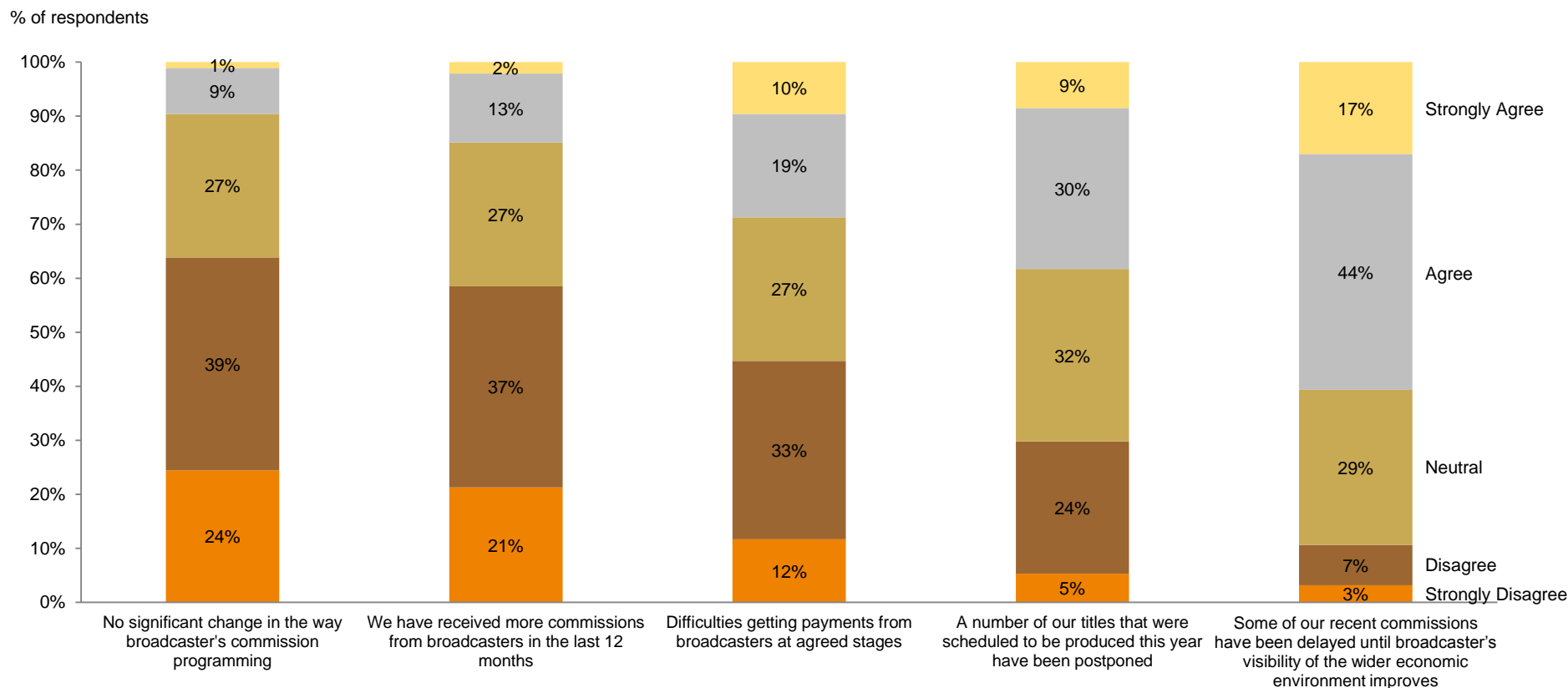
The impact of the downturn in 2008/09

Over half of respondents now seeing delays in planned commissions



A large proportion of producers have experienced postponements during 2009 and over half of respondents indicated that some of their commissions have been delayed due to the downturn

Response to Q: *Thinking about your experiences of commissioning (across all channels) in the last 12 months, how much do you agree with the following statements?*



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Section 8: Future prospects – the next 3 years

- Primary commission prices expected to fall further
- Secondary, tertiary and overseas revenues all seen as continuing growth areas
- C4 merger with Five or BBCW seen as bad for business
- Indies keen for policies governing on demand

Future prospects

Summary



Looking forward, the majority of producers believe that primary prices, commissions from networks and profit margins will decline in the next 3 years...while new revenue streams and gap funding will become increasingly important

A majority of respondents see downward pressure on primary commissioning prices as a continuing trend for the next 3 years

Overall, the number of commissions from the main networks is also expected to fall and indies are expecting a reduction in profit margins

Respondents to the policy survey were more positive regarding the prospects for more commissioning from thematic channels with two-thirds of respondents indicating either no change or an increase in demand from this part of the market

Of the previous broader potential changes to the UK market, 69% of respondents see a commitment to universal broadband as being positive for the sector

A majority still see any potential consolidation of C4 and Five as being bad for business

64% of respondents see profits falling in the next 3 years as primary commissioning prices fall

- 43% of respondents expect sector revenues to decline; this is an improvement on last year when 66% of respondents expected sector revenues to decline
- 81% of respondents think that primary commission prices will decline over the next 3 years, a potentially significant ongoing trend for the sector

Secondary and tertiary revenue streams are all expected to continue growing

- Against expectations of falling primary prices, survey respondents remain positive on the prospects for secondary and ancillary revenue streams
- However, the level of gap finance required is also expected to grow, placing greater emphasis on these other revenue streams for overall profitability

Commercial broadcaster mergers still seen as being bad for business

- A majority of respondents still see any prospective commercial broadcaster deal between C4 and Five as being bad for business

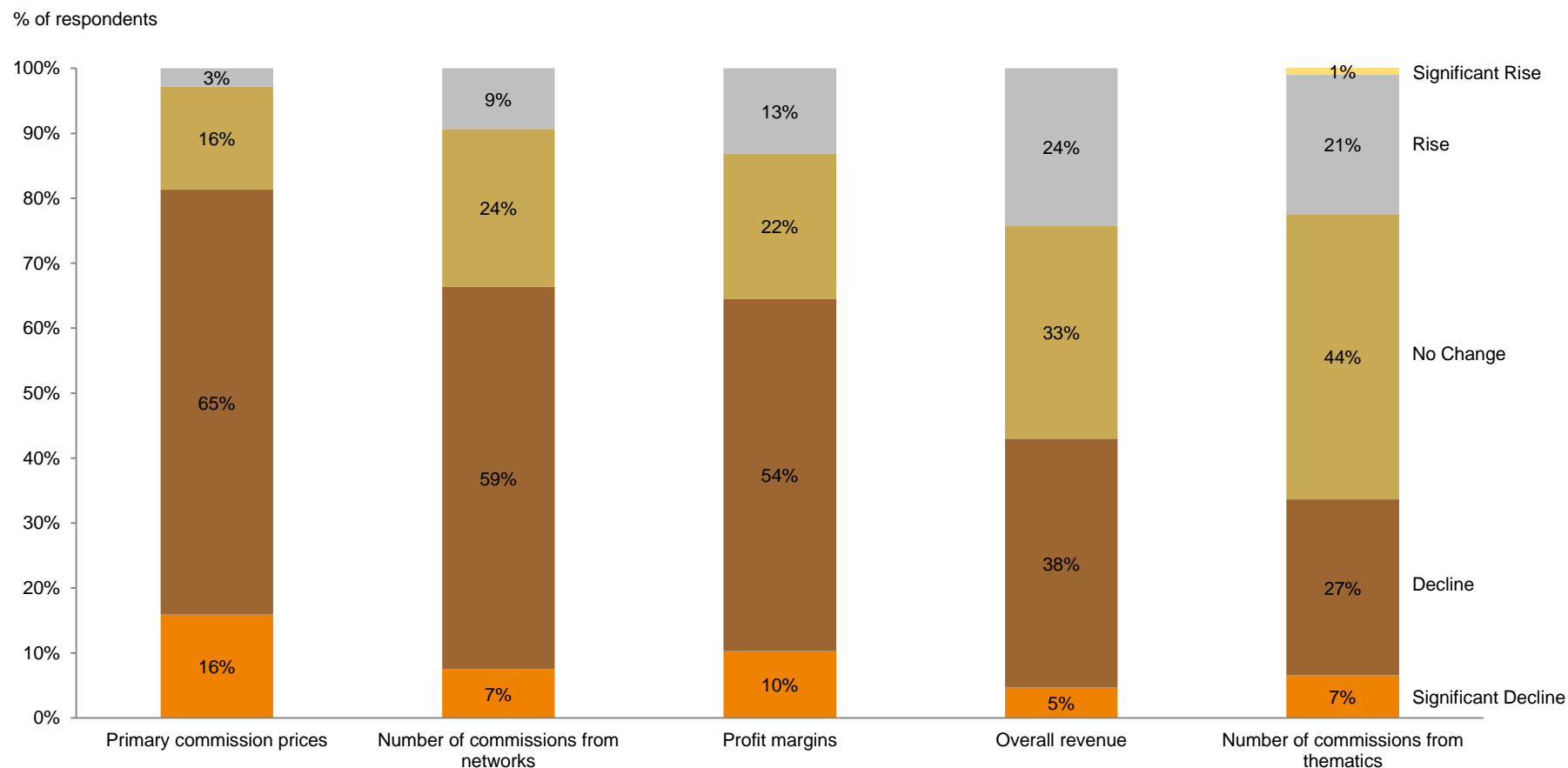
Future prospects

Primary commission prices expected to fall further



Though there is a strong expectation that primary commissions will remain under pressure. This is not yet seen as having a proportional impact on revenues

Response to Q: *How do you think the following will change for the overall independent sector over the next three years?*



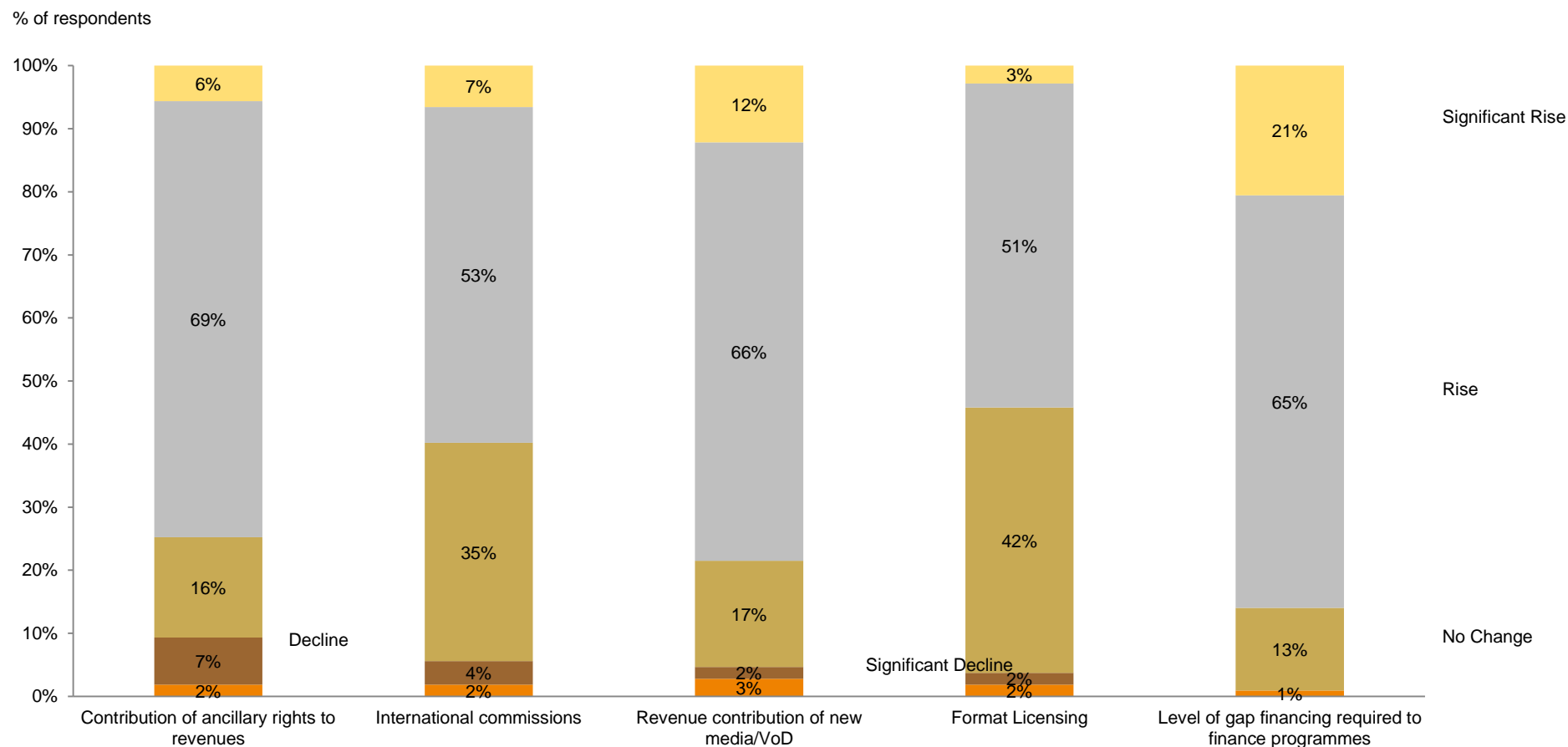
Future prospects

Secondary, tertiary and overseas revenues all seen as continuing growth areas



Diversification of revenues and importance of overseas markets set to continue as strong themes

Response to Q: How do you think the following will change for the overall independent sector over the next three years?



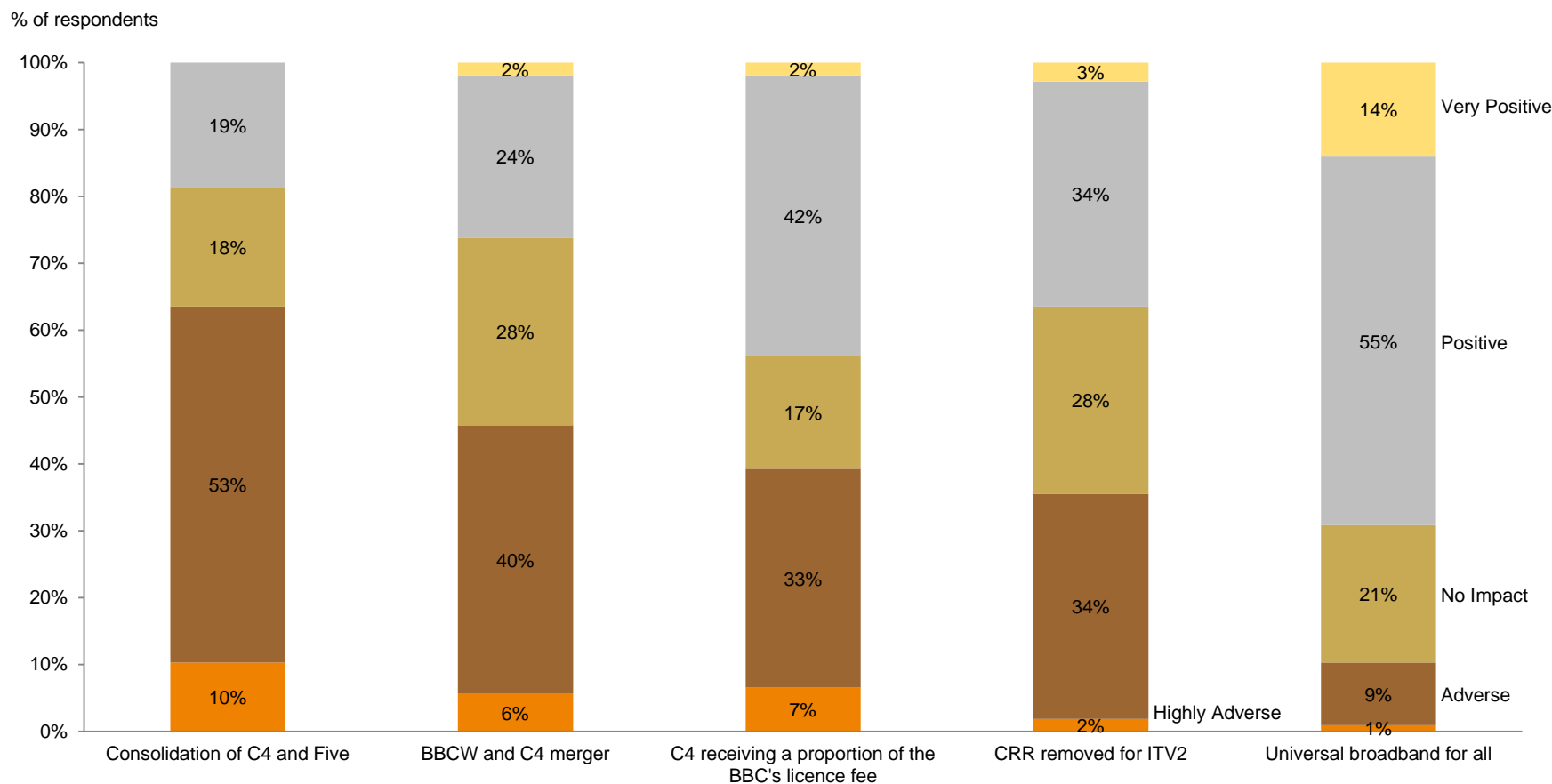
Future prospects

C4 merger with Five or BBCW seen as bad for business



Once again, the majority of respondents (69%) believe that universal broadband would have a beneficial effect on the sector, whilst the consolidation of Channel 4 with Five or BBCW are seen as negative policies for the independent sector

Response to Q: *What do you think will be the overall impact of the following policy decisions on the independent production sector?*



Future prospects

Indies keen for policies governing on demand



In terms of broader policy options the highest ranking policies would be forcing new digital players to pay a fair price for content and the introduction of a small on demand platform levy to promote re investment

Response to Q: *Which of the following do you think could have the greatest positive impact on the independent sector?*

SCORE FROM 1 to 5
(5 = highest impact)

