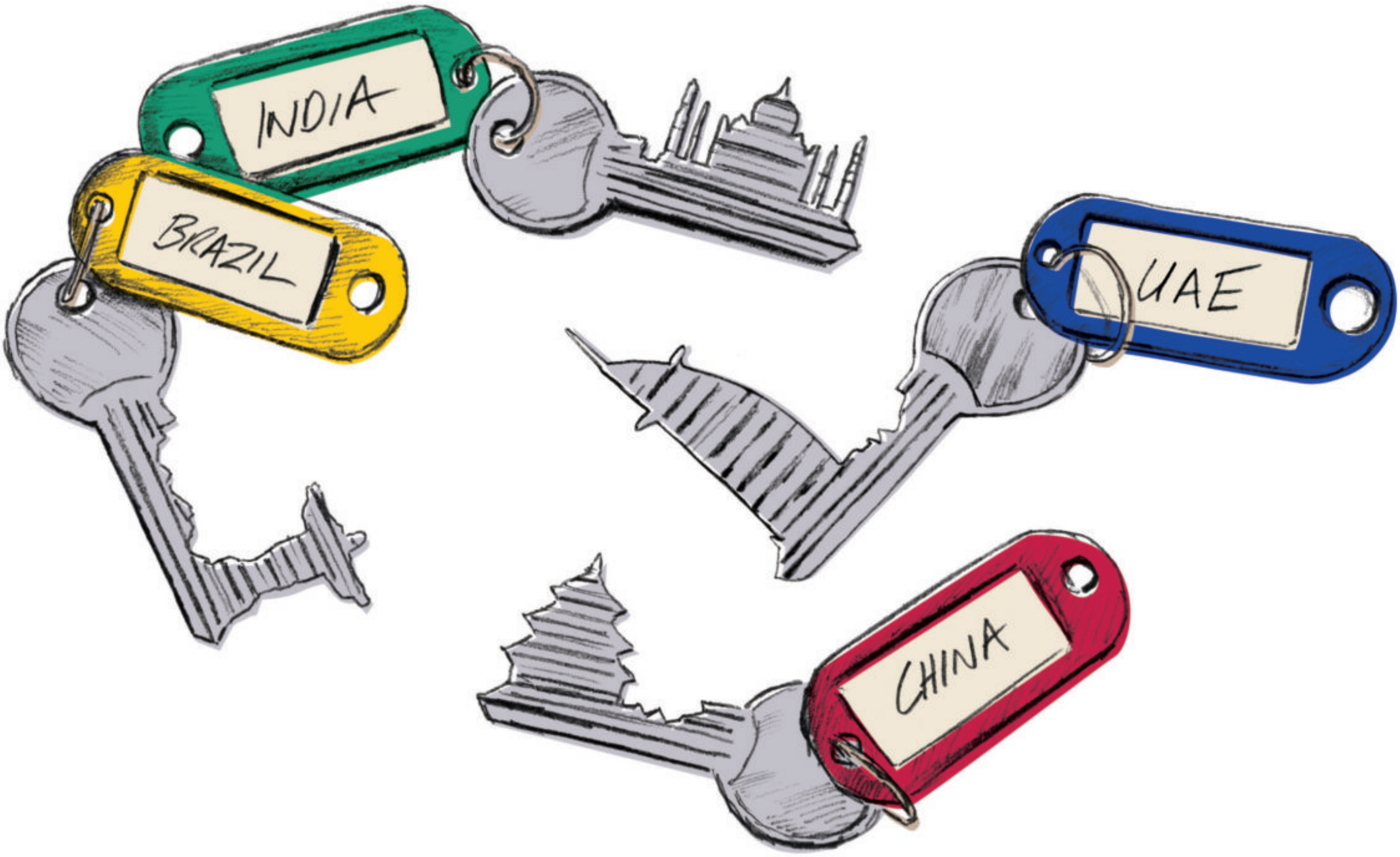
Media expansion report
Unlocking your growth potential in international markets



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Foreword

As financial advisers to the media industry, one of the most common questions we're asked is 'How can my business expand into new markets?' Every business that asks this question has varying challenges, but their ambitions are the same – growth.

To help respond to this question we conducted research across the UK Media sector to investigate the strengths and weaknesses of some of the UK's top current investment markets, including our own domestic market, through the eyes of mid-market businesses and our own specialist sector experts. As part of this, we explore the level of appetite for investment and the encouraging factors such as available tax breaks whilst also examining the potential pitfalls.

The findings of the report highlight that, despite both the hurdles of the UK downturn and the Eurozone crisis, M&A is still on the growth agenda for many media companies. Of those who took part in our short survey, almost half (48%) said they were planning to acquire a media business in the next 12 months. Top international locations for investment by media companies included the UAE, Brazil and India.

Over the last three years expansion into the US, Germany, China and Brazil have come consistently top for outbound M&A and there remain some attractive business cases hinting at opportunities for growth. For example:

- Mainland China with an average GDP growth forecast over the next five years of 8.46%, however currently with only 39.9% internet penetration
- Brazil has one of the largest technology markets, a young population and will host the FIFA World Cup next year, and the 2016 Olympics
- The US scoring particularly high for human development with years of schooling and the highest proportion of its labour force with tertiary education

Interestingly, however, economic opportunity does not always paint the whole picture. Based on our Media Expansion Index using a balanced scorecard of business influences, Brazil for example ranks only 7th with the political and legal systems weighing heavily against it together with a low score for assistance to start-up businesses.

In uncertain and testing economic times, reason might tell business leaders to hold back on international expansion plans and conserve their cash for a sustained recovery. However, we would encourage those running dynamic businesses to also listen to their instinct. In the last 12 months alone, we have helped over 20 media clients establish a foothold beyond our borders, through either acquisition or establishing operations – it provides additional challenges but comes with the potential of great reward.

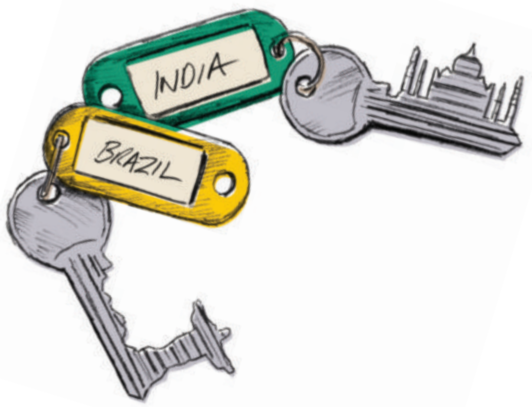
With the right advice, funding and local support, there are opportunity areas that offer some solid foundations for overseas expansion. With expertise across 100 countries, Grant Thornton International Ltd member firms specialise in supporting media companies to assess when the time is right, to prepare and implement their expansion plans.

We hope that you find this report useful and look forward to supporting you in your ambitions for growth.

Mark Henshaw
Head of Media and Entertainment
Grant Thornton UK LLP

Media Expansion Index

The Grant Thornton Media Expansion Index has been constructed to cover the most important aspects of what a country can offer in terms of investment opportunities ranging from the ease of starting a business to the strength of political and legal systems.



Prepared by Experian using a range of data sources, the Index compares and ranks ten countries selected by Grant Thornton's Media team.

The ten countries comprise a mix of those with high GDP forecasts, countries considered emerging media markets and more traditional markets where respondents to our primary research survey are planning to acquire.

For the Index, 41 variables and four themes have been weighted to take into account how important they are relative to a media business making a decision to invest or expand into an overseas market.

The final outputs for the Index provide a ranking for each of the selected countries at an aggregate level as well as a ranking within each theme to give an assessment of each country's relative strengths and weaknesses.

Media Expansion Index

	Country Index Scores by Category					Country Index Ranking by Category				
Country	**Political/ Legal**	**Infrastructure/ Technology**	**Business start-up**	**Economic**	**Total**	**Political/ Legal**	**Infrastructure/ Technology**	**Business start-up**	**Economic**	**Rank**
Total Weight	0.15	0.3	0.1	0.45	1					
USA	0.11	0.25	0.06	0.35	**0.76**	3	1	3	1	**1**
UK	0.11	0.20	0.08	0.28	**0.66**	3	3	2	4	**2**
Mainland China	0.02	0.21	0.03	0.33	**0.60**	10	2	8	2	**3**
France	0.06	0.17	0.05	0.26	**0.55**	6	5	6	5	**4**
Canada	0.12	0.14	0.08	0.20	**0.55**	2	7	1	8	**5**
India	0.03	0.18	0.02	0.30	**0.53**	8	4	9	3	**6**
Sweden	0.13	0.12	0.06	0.20	**0.51**	1	8	4	7	**7**
Brazil	0.03	0.16	0.02	0.26	**0.46**	9	6	10	6	**8**
UAE	0.06	0.07	0.05	0.16	**0.35**	5	9	5	10	**9**
Romania	0.03	0.07	0.05	0.16	**0.31**	7	10	7	9	**10**

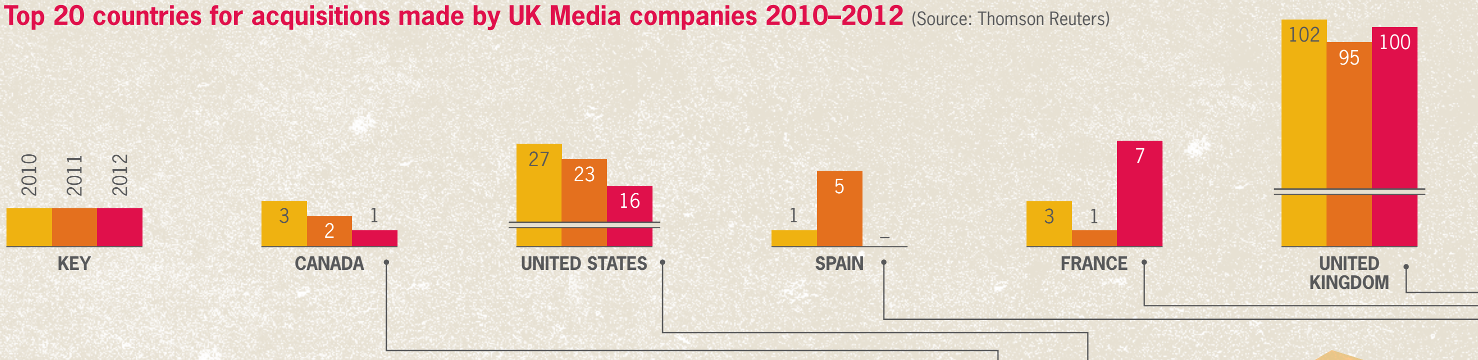
Source: Experian

Key findings

- At an aggregate level, there is little doubt that its Index scores and rankings identify the **US** as the most attractive country for media business expansion, by some margin. Its leading position is based on the strength of its infrastructure and technology and by its position as the largest economy in the world, allied to having a stable political environment and an efficient environment for business start-ups. Its mix of first and third rankings across all categories demonstrates the continued attraction of the US marketplace for media companies.
- Strong rankings across all categories means the **UK** ranks second at an aggregate level, largely on the basis of its political/legal (3rd), infrastructure/technology (3rd) and business start-up (2nd) scores, which make up for the relatively middling (4th) economic ranking. The UK's ease of starting a business ranks second only to **Canada**, and its strong infrastructure and familiar political and legal structures, press freedoms and accessibility – both logistically and digitally – make it an easy place to do business.
- In future, **Mainland China's** economic ranking is likely to outstrip even the US. But for now, China's economic ranking (2nd) – which befits its position as the world's second largest economy with the world's largest population – and its infrastructure/technology (2nd) performance mean China ranks 3rd at an aggregate level. China has the largest market to target and has the highest growth forecast over the next few years. IMF growth figures show China's growth in 2013 to be 8.2% followed by 8.5% in 2014, suggesting it would be an ideal market for expansion. That China fails to top the aggregate rankings is due to its poor score for press freedom and the complexity of its start-up procedures – the second largest number – which may not be attractive for companies considering expanding into China.
- Similar features apply to **India** and **Brazil**. Both perform more strongly for economic factors and, alongside China, have some of the largest technology markets – India has 120 million internet users and over 898 million mobile phone subscribers whilst Brazil has over 82.6 million internet users and over 258 million mobile phone subscribers. However, both face political/legal uncertainty and rank in the bottom two for business start-up factors thus indicating that, while there would be long-term benefits to expanding in both countries, particularly Brazil with the driver of future events such as the World Cup and the 2016 Olympics, they are not necessarily the easiest locations to set up a business in.
- Given **Sweden's** strong political environment, with the quality of public and civil services, virtually full freedom of press and the lowest corruption levels, it is perhaps no surprise that Sweden ranks top within the political and legal environment. Canada also scores strongly for this theme and also has the second highest score for rigidity of employment. In contrast, mainland China ranks bottom in terms of its political and legal outlook for investing companies.
- For infrastructure and technology, the US ranks top whilst **Romania** ranks bottom of the selected countries. Whilst Mainland China ranks second, this is largely due to the technology aspects of this theme, China having more than 538 million internet users and over 1.05 billion mobile phone subscribers. It is worth noting that, whilst the number of internet users is greatest, the internet penetration rate is only 39.9% indicating there is still scope for significant further expansion in this area.
- Canada is ranked top for the business start-up theme whilst Brazil is ranked bottom. Canada has the lowest number of start-up procedures, one of the fewest amount of days required to start a business and is seen to be a relatively easy place to conduct business. The **UAE** has the lowest total tax rate for businesses whilst Romania has the highest number of tax payments that need to be made over the course of a financial year. It is worth noting that, whilst Brazil is ranked bottom for this theme, it is actually among the leaders for new businesses registered indicating that economic potential for the future means businesses are setting up in Brazil even though it is some way behind other countries in terms of other business start-up factors.
- The US is ranked top for economic factors, underpinned by having the largest economy in the world and a large and diverse population that is second only to China and India. Whilst it has lower forecasted growth rates than both China and India, it is still expected to grow significantly over the next two years, with IMF predictions for the US of 2.1% in 2013 and 2.9% in 2014. It also scores highest for human development which takes into account life expectancy at birth, mean years and expected years of schooling and has the highest proportion of its labour force with tertiary education.

Where are UK Media companies investing?

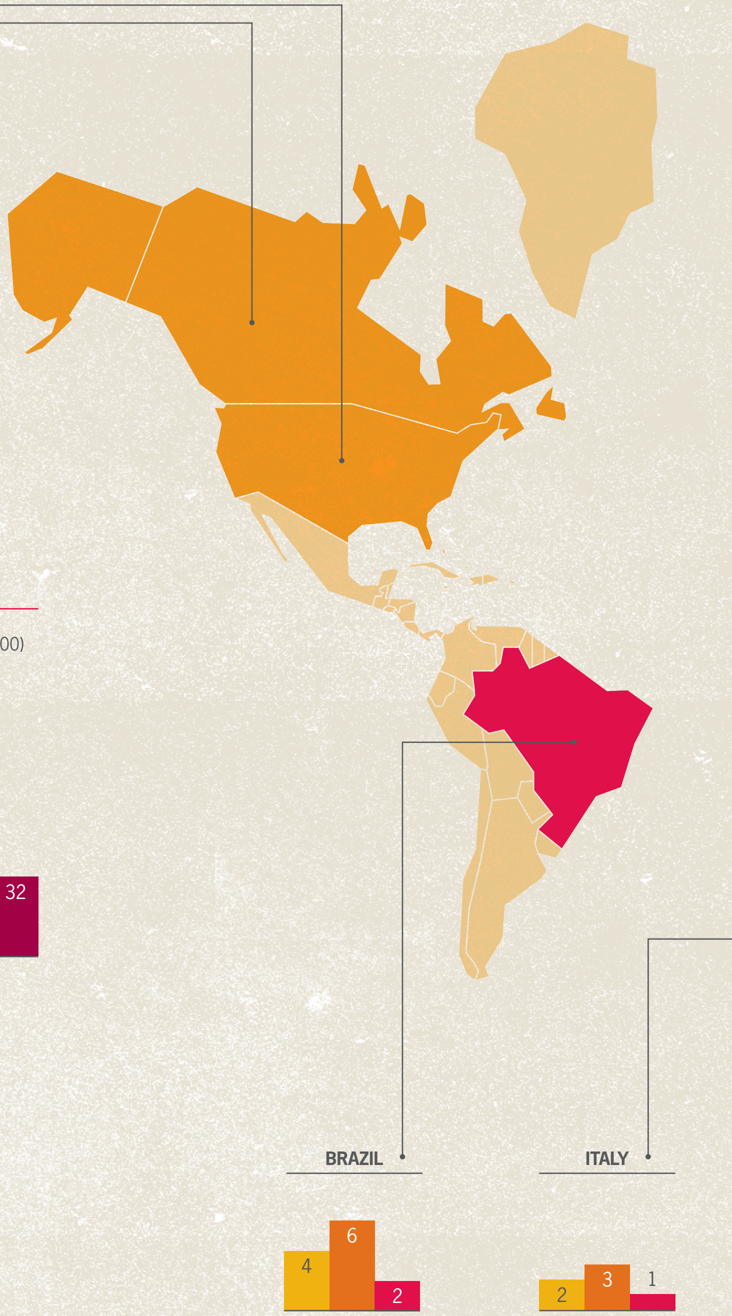
Top 20 countries for acquisitions made by UK Media companies 2010–2012 (Source: Thomson Reuters)



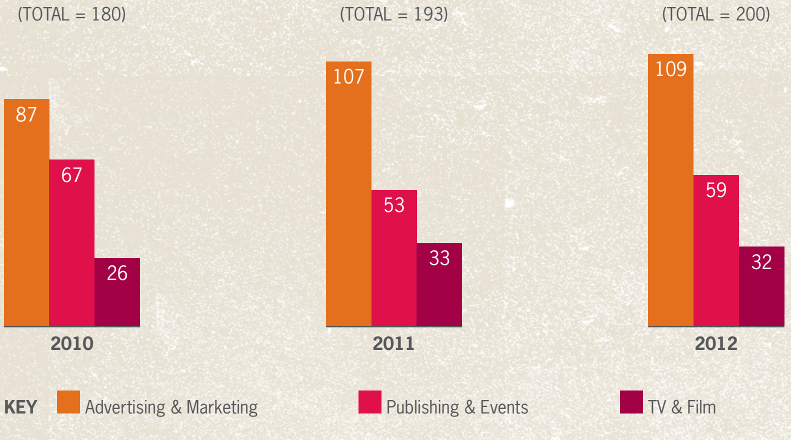
Where are UK media companies investing?

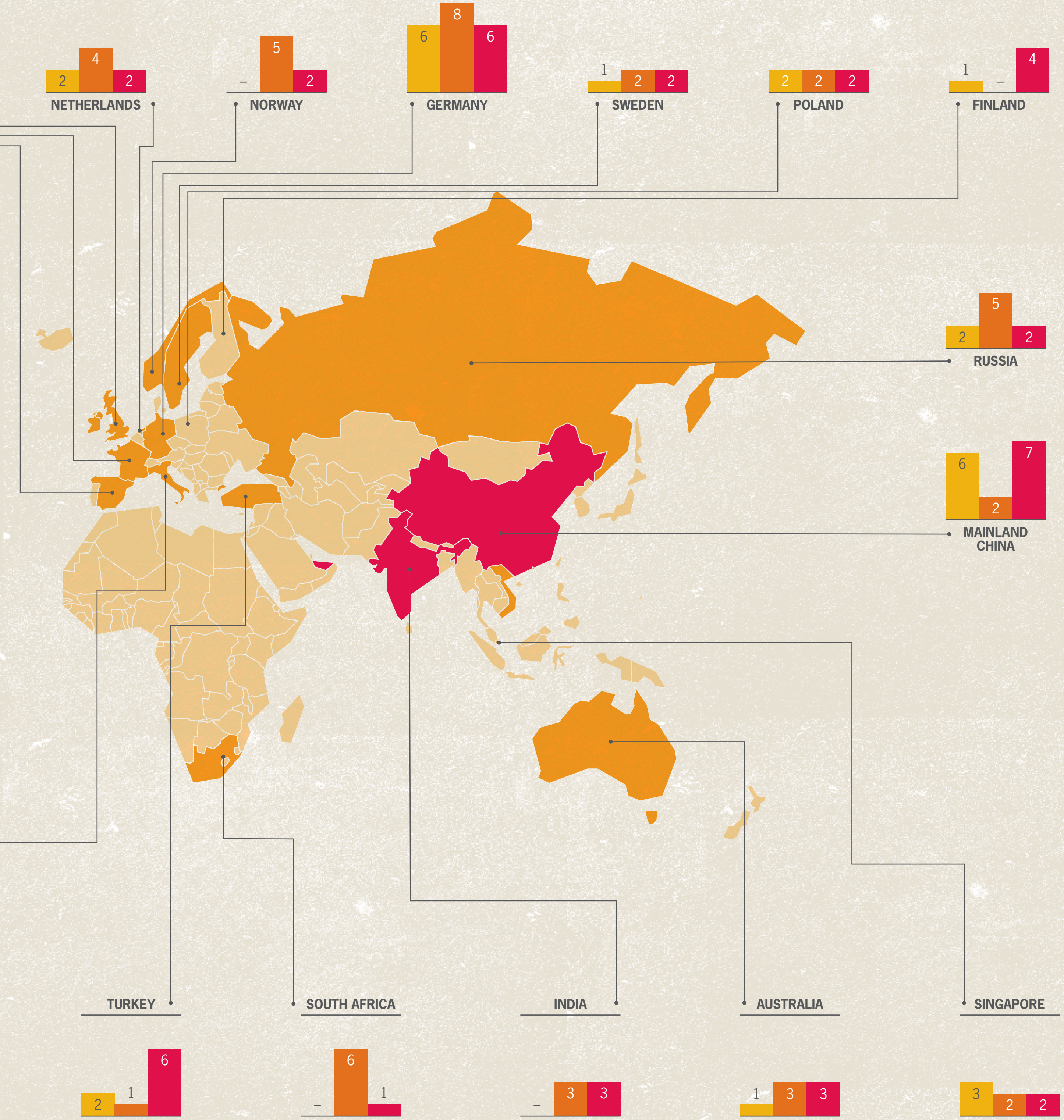
Our analysis of all outbound M&A deals completed by UK media companies between 2010 and 2012 shows the US, Germany and China have consistently featured as the most popular countries – noticeably driven by the global advertising and information consolidators.

Over half (53%) of the transactions fall within the Advertising & Marketing services sector, followed by 31% in Publishing & Events and 16% in TV & Film.



TOTAL NUMBER OF ACQUISITIONS BY UK MEDIA COMPANIES, BY SUB-SECTOR




2 4 2
NETHERLANDS
– 5 2
NORWAY
6 8 6
GERMANY
1 2 2
SWEDEN
2 2 2
POLAND
1 – 4
FINLAND
2 5 2
RUSSIA
6 2 7
MAINLAND CHINA
TURKEY
2 1 6
SOUTH AFRICA
– 6 1
INDIA
– 3 3
AUSTRALIA
1 3 3
SINGAPORE
3 2 2

Investing for growth

In 2012, evidence from another Grant Thornton report, the 'International Business Report (IBR)', suggested that investment in emerging markets was picking up, with the global survey indicating that businesses in emerging markets were taking a longer-term approach to growth and were increasing their levels of investment.

However, that optimism gave way to uncertainty as business confidence fell sharply towards the end of the year. Despite attempts to encourage investment, most businesses are looking for stronger signals of a recovery before investing, with cash reserves of $4 trillion stationary on company balance sheets. The majority of the 3,000 businesses interviewed globally for the IBR want their governments to increase fiscal activity, which will stimulate increased investment in businesses' operations.

Although reason might tell business leaders to wait for a sustained recovery, their instinct might equally argue that with interest rates so low and talent plentiful, this is the perfect time to invest in people and operations, helping them to get ahead of the competition when the global economy is on a surer footing.

Once the mindset for investment does pick up again, it is in those emerging markets, and particularly those sectors with evolving business models such as the media sector, that the growth potential appears to lie for UK companies.

Although global economic uncertainty continues to weigh on short-term business growth prospects, there is encouragement that more dynamic businesses are willing to adopt bolder, long-term growth plans. This strategy is not so much about immediate returns in terms of revenues and profits, but rather investing in their long-term growth and competitiveness.

Globally, business optimism fell from 23% to 8% towards the end of 2012, with drops in confidence across the world's three largest economies: the US, China and the Eurozone. This downturn in optimism appeared to have dampened the investment outlook for businesses in the short term. However, there are more signs that the world's second-biggest economy, China, is stabilising and rebounding and US recovery gaining pace following the US presidential election.

So the outlook for investment, while still unclear, may be brighter for dynamic organisations looking to ready themselves for the upturn.

UK media expansion

Analysis of the Top 20 countries for acquisitions made by UK media companies between 2010 and 2012 (see page 4-5) shows home grown investment, followed by investment in the United States, which as the Grant Thornton Media Expansion Index demonstrates, remains a magnet for ambitious and far-thinking companies considering their expansion opportunities.

The Index (page 2), which has been constructed to cover the most important aspects of what a country can offer in terms of investment opportunities ranging from ease of starting a business to the strength of political and legal systems, shows that, beyond the US and UK, Mainland China, Brazil and India offer potential, albeit with some hurdles to overcome. The Index also offers an indication of the climate for media investment in France, Canada, Sweden, the United Arab Emirates (UAE) and Romania.

While global economic uncertainty continues to weigh on short-term business growth prospects, there was some encouragement that more dynamic businesses were willing to adopt bolder, long-term growth plans.

Plans for future investment

As part of our Media Expansion Index research, we asked 50 mid-market media companies where they planned to invest in the next 12 months. According to our survey, despite the hurdles of the UK downturn and the Eurozone crisis, M&A is still on the growth agenda for many media companies with almost half (48%) planning on making an acquisition in the next 12 months. Four fifths of this group are planning to make a domestic acquisition to strengthen their position at home. For domestic investors of course, acquisitions are more straightforward, with less risk, and a known legal landscape. Of the remaining companies planning a cross-border acquisition, the most cited possible locations are: UAE, Brazil and India.

As our client case studies demonstrate, companies such as Elmwood Design (page 11), Clarion Events (page 19) and Perform Group (page 21) are now reaping the rewards of entering such markets. For others, sometimes the perceived hurdles outweigh those potential rewards.

The opportunities should, however, not be underestimated, not least in China. Chinese consumers continue to have an insatiable demand for new programmes and content in traditional media formats such as film and television. Combined with the growth in internet access and changing consumer preferences towards internet and computer-based media, the opportunity for UK firms from all media sectors is vast.

WHERE UK MID-MARKET MEDIA COMPANIES PLAN TO INVEST IN THE NEXT 12 MONTHS

Source: International Media Expansion Survey

What drives value in the mid-market?

Much of Grant Thornton's work with mid-market UK clients is focused on driving shareholder value, often as part of an exit strategy. In our experience, businesses with a well-developed and executed international strategy are often more attractive in the market than companies with a purely domestic focus, both in terms of the number of potential acquirers they might attract and in the multiples they will command.

However, to deliver premium value, there needs to be a clarity in structure and the ability to transfer the full benefit of international operations to the buyer. From an M&A perspective, those companies that have expanded internationally in a less structured and haphazard manner may be disadvantaged: a target with multiple joint venture, random franchising or other partnership arrangements will rarely be as attractive or deliverable in an M&A deal as those with cleaner, possibly wholly-owned, operations.

Such companies offer potential acquirers a distinct and highly manageable global or international footprint, for which they would be expected to pay a premium price.

Chinese consumers continue to have an insatiable demand for new programmes and content in traditional media formats such as film and television. Combined with the growth in internet access and changing consumer preferences towards internet and computer-based media, the opportunity for UK firms from all sectors is vast.

Most important factors when considering overseas investment

Customer demand for services is seen by survey respondents to be the most important factor when considering to investment overseas. Centres of excellence, specialist workforce skills, and availability and cost efficiency of workforce were also cited amongst the top key factors.

Typically, barriers to investment overseas for UK media businesses include frequent changes to legislation and taxation, as well as cultural differences. For creative companies, effective control of and support for intellectual property (IP) is also important. Creative businesses will be reluctant to export if they think their IP will be stolen.

Some of these factors are becoming relevant, especially in emerging markets such as China, Brazil and India.

In China, there are concerns over press freedoms and government censorship, while although the attitude to IP is said by some to be improving, it is a problem that has yet to be completely solved.

In Brazil, the challenge is bureaucracy and protective labour laws. Getting a company started in Brazil can be very bureaucratic, while overseas expenses for employers coping with taxes and benefits supported by protective local labour laws, can be significant.

Companies investing in India will find the primary hurdles are around infrastructure support, which is still evolving, and the slow pace of getting things done.

Other considerations affecting international expansion relate to specific areas of the UK media sector. For example, in the UK television sector, according to the O&O/PACT Financial Census, international activities are growing strongly to offset reductions in UK commissioning revenue.

International revenues are increasingly important as UK income declines further. The now established trend in falling UK primary commissioning revenue for the independent sector continues to be compensated for by strong growth in international revenues and UK rights outside the primary broadcast licence.

This also reflects the ongoing international expansion of the UK's independent sector, where revenue from rights exploitation and international activities has grown significantly for the fourth year in succession.

According to the CBI, creative firms still need help targeting the fast-growing economies in Southeast Asia and Latin America, which is where the best opportunities for success are.

"We need to shift our exporting efforts from the familiar markets of the US and Europe to places like Turkey, South Korea, Mexico and the BRICs, countries where the appeal of British creative brands is strong," the CBI says.

Assessing your market

One of the fundamental aspects of the entry strategy is to undertake a commercial assessment of the market. This should cover the areas such as market size and growth, the level of market saturation, market trends, consumers demand as well as an in-depth analysis of the competitive environment, key opportunities and risks, minimal requirements to compete and routes to market.

While broader macroeconomic indicators may favour the expansion into an emerging economy, it is essential to understand how mature and competitive this market is as well as what the industry structure is.

Any investor interested in expanding internationally may consider its entry strategy, in the form of building its subsidiary from scratch, acquiring an existing business or partnering with organisations already operating in the country of their interest.

It is essential to conduct a preliminary assessment of what the market needs versus what the product/service offering is prior to committing significant resources.

Country profiles and client case studies

IMF GDP Growth prediction 2013-14:
2.1% (2013)
2.9% (2014)

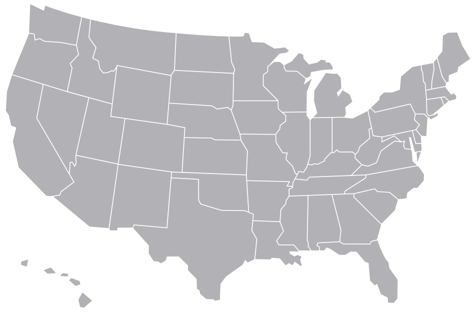
Grant Thornton expansion index:
1

Opportunity:
Strong links between US film, TV and digital media companies and the UK; access to talent

Challenges:
Uncertainties over states' support for TV/film production and future of Section 181 legislation

Country profile

United States



The array of investment opportunities offered by the United States across media sectors from film to digital media ensures that the country ranks first for UK media companies looking to invest abroad. There is a well-worn path for media companies between the UK and US. UK companies already based in California as a result of M&A activity include Activision Blizzard, EA, CookieJar, and RDF Media, a UK company creating a Reality TV-based platform, now part of Zodiak.

Southern California and particularly Los Angeles are hotspots for the media and entertainment industries covering the film mecca of Hollywood and an array of start-ups focused on cloud computing around internet marketing, new forms of ecommerce, online advertising and online gaming that have sprung up to the West of Los Angeles in an area dubbed 'Silicon Beach'.

Basing themselves in Los Angeles rather than further north in Silicon Valley enables media start-ups to keep hold of their key staff. The area has been described as a tech island, a 'safety bubble' where "you can take six months to a year to get things done without worrying about someone stealing your people". Firms based in San Francisco are more likely to face rivals wanting to steal their talented people.

The last five years has seen an explosion of digital and social media, reality TV and gaming companies being created in Southern California. In fact, it is now difficult to pigeonhole companies because so many different sectors – video games, entertainment, software, social media – now overlap.

The revenue and employment opportunities generated by media companies have encouraged other US states to try and tempt companies away from the highest-taxed states of California and New York which typically attract most media companies. Texas, for example, is trying to pull technology companies to cities like Houston, Dallas, and Austin with lower taxes and softer regulations.

However, states are now beginning to rethink their policies on offering grants to attract filmmakers to make productions in their states because economists and government officials question whether they live up to their promises to encourage economic growth overall and to raise tax revenue. Another ongoing issue for media companies is the future of US 'Section 181' legislation which permits a 100% write-off for the cost of qualifying film and production works, regardless of what media they are destined for (TV pilots, TV episodes (up to 44), short films, music videos and feature films all qualify for Section 181). The long-term existence of Section 181, reviewed each year, is now believed to be in jeopardy.

"One possible concern for potential investors is the uncertainty of the US political environment and a perceived lack of competitiveness over US business tax rates, which many argue need to be reduced in the face of global competition. At the same time, the US is currently experiencing substantial fiscal budget gaps and trade deficits, which make it difficult for politicians to reduce tax rates and corresponding tax revenues that would put a further strain on the system."

Damon Frier, Federal Tax Partner,
Grant Thornton LLP

The revenue and employment opportunities generated by media companies have encouraged other US states to try and tempt companies away from the highest taxed states of California and New York which typically attract most media companies.

Case study

Elmwood Design

A UK-based company that is the world's most effective brand design consultancy. Elmwood has won more International Design Effectiveness Awards than any other consultancy in the entire history of the award scheme. The awards recognise proven commercial impact of design and are run by the Design Business Association, the industry trade association.

Founded in 1989 from a management buy-out, Elmwood opened its first studio in Leeds and has since grown internationally with offices in London, Melbourne, New York and Singapore.

Elmwood's clients are diverse, including some of the world's largest retail, consumer and corporate companies. Acknowledging the success of their international operations, Elmwood reached number 25 in the Sunday Times International Track 100, which ranks Britain's private companies with the fastest-growing international sales. Its current turnover is around £11 million.

Elmwood is proud of its independence, which is a key differentiator against larger multi-national network competitors. Each office is distinctly Elmwood, driving consistency of their brand and proposition across the group, with a remit to celebrate and explore cultures locally.

Its move into overseas markets is typically driven not by global expansion plans, but by the specific needs of its clients. Elmwood's retail and fast-moving consumer goods (FMCG) expertise is in demand around the world with clients like Unilever, Walmart and Colgate Palmolive leveraging their international footprint to drive consistency globally for their brands. "Elmwood is in Australia, the US and Singapore because its clients need it to be there", says Debbie Longbottom, Elmwood's finance director.

"Our clients come to us for brand consultancy, and wherever in the world they want us to be, we are there. We moved into Asia because a lot of the FMCG businesses we work with elsewhere in the world were increasing their operations in that region, and our expertise was required there. We decided to base our office in Singapore, giving us easy access to other Asian countries including India, China, Vietnam and the Philippines.

Singapore particularly is a good place to do business, because its trade is based on UK laws and tax infrastructure.

"Wherever we have offices, we employ local talent to work alongside seconded employees from elsewhere in the business to encourage and develop the culture in line with the Elmwood way. We are a service business and our success is based on the quality of our people. We are not selling widgets, we are a creative business reliant on people's ideas and their execution."

Grant Thornton has supported Elmwood through its international expansion providing audit, tax and corporate finance advisory services. "Grant Thornton has contributed a breadth of knowledge and experience to Elmwood, supporting the strategic plan as it's grown and evolved over time", says Debbie.

Andy Wood, Partner at Grant Thornton said, "It is fantastic to work with such an ambitious global company who are always looking to explore new market opportunities."

"Wherever we have offices, we employ local talent to work alongside seconded employees from elsewhere in the business to encourage and develop the culture in line with the Elmwood way. We are a service business and our success is based on the quality of our people."

IMF GDP Growth prediction 2013-14:
8.2% (2013)
8.5% (2014)

Grant Thornton expansion index:
3

Opportunity:
UK advertising companies have shown how to gain business in China; film and digital media prospects are opening up

Challenges:
Government control over social media and film censorship; intellectual property infringement remains a concern

Country profile

Mainland China

2012 saw a series of developments within media and entertainment in China which demonstrate the opportunities the Chinese media sector offers UK companies. For example, WPP's investments in digital agencies and digital advertising measurement firms such as Wisreach and CIC.

WPP claims Greater China is currently its third-largest market with revenues (including associates) of $1.3 billion and growing at around 15-20%. Digital revenues are over $200 million.

China's movie industry is taking off, encouraging film studios to try and get a slice of the world's fastest growing film market. Chinese-Hollywood co-productions are becoming vehicles for Beijing to dictate the China narrative outside its borders, and propel Chinese culture overseas.

In digital media, UK Trade and Investment (UKTI) has forged links with the Digital Content Association based in China's 'Silicon Valley', the Beijing district of Zhongguancun, with a view to extending digital media collaboration between the two countries.

Companies specialising in social media will find that Facebook, Twitter, and YouTube are blocked in China. Local social media services are provided by home-grown firms, such as Renren, which provides Facebook-type functions, Youku.com, a YouTube-like video sharing service, and Sina Weibo, a Twitter-like micro-blogging service.

An increasing number of advertising and marketing consultants now see China as a key expansion destination for their business. Many are being asked to enter China with their clients because they understand their ethos and branding rather than appoint a local stranger.

"It is hard to secure local Chinese work without a local presence but following your clients is a great entry point to China. Those that do not act quickly, however, could be left behind by their valued clients."

Nick Farr, Head of China Britain Services Group, Grant Thornton UK LLP

Whether UK firms are looking to the Chinese market as a key strategy or have yet to consider, a key part of any IP protection plan should be ensuring that copyright is registered in China.

Chinese consumers continue to have an insatiable demand for new programmes and content in traditional media formats such as film and television. Combined with the growth in internet access and changing consumer preferences towards internet and computer based media, the opportunity for UK firms from all sectors is vast.

The increased media demand across all platforms has led to a wave of copyright registrations in China, from within the mainland and overseas. Although under China's copyright regulation, copyright registration is voluntary, an early registration can put you at an advantage. If your copyright is registered in China prior to you taking action, you may find your format is already in use. Whether UK firms are looking to the Chinese market as a key strategy or have yet to consider, a key part of any IP protection plan should be ensuring that copyright is registered in China.

For applications made in the UK and Ireland the formal channel is through China Copyright Agency UK Ltd (CCA), the Exclusive Representative of Copyright Protection Centre of China (CPCC). Utilising an organisation such as CPCC is an efficient and cost effective way of protecting and enforcing your copyright, should China be on the horizon or a 'one day' idea.

Zhendan Jia, Chairman and CEO of China Copyright Agency UK Ltd

IMF GDP Growth prediction 2013-14:
0.4% (2013)
1.1% (2014)

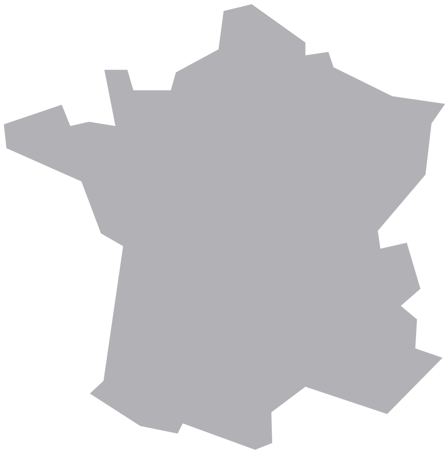
Grant Thornton expansion index:
4

Opportunity:
Strong media marketplace; mobile and digital media opportunity; tax incentives for film-making

Challenges:
Complexity of labour laws; 'soft' advertising market

Country profile

France



French media has a rich history. France was home to one of the world's first periodicals and French newspapers were at the heart of the French Revolution. Arguably the state's position in the French media is the result of this legacy. The government backs the printed press and Agence France-Presse, and is a shareholder in public radio and TV stations.

The strength of the French market for print and broadcast media has already attracted investment from groups such as AOL Time Warner, Bertelsmann, Pearson and Emap.

France's daily newspapers were once amongst the world's most profitable, but today, daily newspapers' share of the €11 billion euro printed press market has fallen to barely 40%. Significant competition is now provided by magazine publishing both for the mass-market and trade and technical press, and by digital media. In late 2011, the French daily France Soir printed its last paper edition and now only publishes a Web edition.

The French advertising market tends to be softer than other European countries, with competition for 'non-media' forms of advertising, such as direct mail and telemarketing, squeezing out purchases of advertising space and associated revenues. That means the prices of French periodicals tend to be high, making paying readers more open to the attractions of free newspapers.

In the last couple of years, French reforms have made it more attractive to media investors, with changing labour regulations and more attractive tax policies for those setting up businesses.

France's approach to the internet has been paradoxical. In the 1980s, France was at the forefront of the online pre-World Wide Web world through the ground-breaking Minitel system. Then it struggled to promote the 'information society' and has had to work hard to close the gap. There are now 50 million internet users in France representing 77.2% of the population. In 2011, according to IPSOS Media, 72% of the French population went online via their computer, 34% via their smartphone, 9% via their games console and 5% via their tablets.

France loves its cinema. A French film, The Artist, won Best Film for the first time in the Oscars in 2012. Since 2009, France has established a Tax Rebate for International Production (TRIP) that reimburses 20% of eligible costs of foreign movies and TV productions shot in France. Since its implementation in 2009, TRIP has been granted to 50 foreign productions, including films by directors such as Clint Eastwood, Woody Allen and Martin Scorsese.

In the last couple of years, French reforms have made it more attractive to media investors, with changing labour regulations and more attractive tax policies for those setting up businesses. France's labour laws remain complex, although the reforms now enable companies to tune employment contracts and working hours to their business requirements. National Insurance contributions are greater for both employers and employees than in the UK and companies investing in France should therefore get advance advice on contract/employment practices.

IMF GDP Growth prediction 2013-14:	Grant Thornton expansion index:	Opportunity:	Challenges:
2.0% (2013) 2.4% (2014)	5	Strong economy with robust growth in 2012 and 2013; talent, tax incentives and proximity to US; growing CGI, digital and video game sectors	Getting correct balance between what is real, scalable and ready for monetisation and 'chasing shiny new objects'

Country profile

Canada

In general, the Canadian economy is looking robust, with 2.0% growth predicted in 2013 and 2.4% predicted for 2014. Canada's proximity to the US is a key driver for media investment and a particular magnet for film and TV activity. The Montreal area has become a Mecca for computer-generated imagery (CGI).

The French-speaking province of Quebec has a well-established film industry with over $800 million of annual indigenous production. According to figures from an economic report on the screen-based production industry in Canada, from 2010/11, the industry grew 8.9% from $5 billion to $5.49 billion, sustaining nearly 130,000 jobs.

Canada claims to be the only country worldwide to have signed co-production rights with over 50 countries. Advantages associated with producing in Canada include various tax incentives provided by federal and provincial governments.

Quebec's tax incentives offer significant support for international expansion in North America. As well as film credits, Quebec's recent provincial budget also includes incentives and tax credits for the production of sound recordings and book publishing, including the production of digital books.

For multimedia production, eligible expenses include 100% of eligible production development labour and 50% of sub-contractors' labour costs. Work that is eligible for incentives ranges from design stage to development of a final version ready for marketing. For computer animation and special effects, a tax credit rate covers up to 20% of qualified labour costs, while a tax credit of 25% for other production services cost (eg post-production) can also apply. Up to 65% of costs can be covered with the addition of a Quebec Production Services Tax Credit.

"Montréal is one of North America's major film production centres. It is also well known for its CGI innovative sector and for the talent and the creativity of its workforce. This concentration of talent is mostly due to the presence of a number of universities and colleges who are offering specialised courses in gaming, film, television production and communications. Institutions such as the Institut national de l'image et du son (INIS), Université de Montréal, UQAM and Mel Hoppenheim School of Cinema at Concordia University are some examples. In fact, talent, creativity, tax incentives and proximity to the US are certainly great assets for Montréal in the competitive market of CGI."

Alain Lacasse, Partner, Raymond Chabot Grant Thornton

The country also has a $3.5 billion digital media sector which offers several investment and partnership opportunities. Canada is ranked third in the world in video games, after the US and Japan, and around 20% of the top-selling games in North America are developed in Canadian studios.

Digital media companies with a base in Canada include Electronic Arts and Ubisoft, whose Montréal studio has developed successful productions such as Assassin's Creed. Other organisations with a Montreal presence include THQ and Warner Brothers. 'Et Dieu créa... Laflaque', a satirical show on Quebec television, is a good example of Canada's CGI specialism.

Canada is ranked third in the world in video games, after the US and Japan, and around 20% of the top-selling games in North America are developed in Canadian studios.

IMF GDP Growth prediction 2013-14:
2.2% (2013)
2.5 % (2014)

Grant Thornton expansion index:
7

Opportunity:
Significant and growing focus on digital media; strong internet penetration; ease of setting up a company

Challenges:
Comparatively high social security costs; influence of the trade unions in labour issues

Country profile

Sweden

Sweden's media system is based on the dominance of public service broadcasters and high newspaper penetration. Press circulation figures are high, but overall consumption of broadcast media has decreased slightly over the last five years.

Now, the dominant and growing trend in Sweden, where levels of internet penetration are among the highest in the world, is towards digital media. Platforms are converging, and new forms of media interaction are evolving, creating success for 'mixed' platforms such as web-TV, radio podcasting and online editions of newspapers.

In terms of media ownership, concentration at the national level is the dominant trend in the newspaper and television markets. Sweden has no law against media ownership concentration.

Sweden's days as a major exporter of films to the international market may be over. It has the second lowest per-capita cinema attendance figures of all the Nordic countries. But local films have performed well, headed by the successful adaptations of Stieg Larsson novels. In direct response to the gradual cutting back of local funding, young Swedish directors and producers have been more outward looking, and the past two years have seen co-productions with 16 countries, mostly with other European countries, dominated by Germany and the other Nordic nations.

A new three-year agreement between the government and the Swedish film industry will provide an additional €3.4 million in financial support, with part of the extra money earmarked for television drama, films for children and young audiences, shorts and documentaries.

Sweden, the fifth largest country in Europe, is a relatively easy country in which to start or grow a media business, and limited companies can be ready for trading within days. As a member of the EU, Sweden has few limitations for foreign companies wishing to enter the Swedish market, and it has well-developed financial markets.

The rate of corporation tax is 26.3% and there are appropriation possibilities taking the effective rate down to approximately 22%.

"Accounting standards are converging towards international standards, but can deviate significantly as Swedish accounting standards come from a very tax-driven environment."

Lena Möllerström Nording, Partner, Grant Thornton Sweden

Wages are about average from a European perspective but social security contribution costs are comparatively high. Trade unions enjoy a very strong position in the Swedish labour market.

One recent Anglo-Swedish media deal saw Accrington-based Gem Group agree to acquire Swedish digital media specialist Ztorm, a business-to-business service provider of digital distribution solutions for games, films and audiobooks.

The dominant and growing trend in Sweden, where levels of internet penetration are among the highest in the world, is towards digital media.

IMF GDP Growth prediction 2013-14:
6.0% (2013)
6.3% (2014)

Grant Thornton expansion index:
6

Opportunity:
Strong economic growth; close cultural and business relationship with Britain; mobile-based services offer growth potential

Challenges:
Finding the right partner; slow progress requires business patience; 'cost consiousness' mindset

Country profile

India

Creating a long-term business relationship based on trust is critical to breaking into the Indian media market, which has significant potential with advertising rates expected to grow at up to 14% per year as the population becomes more affluent.

From a media perspective, India has a significant advantage over China – a much younger population offering significant advertising opportunities across a range of channels: mobile, online media, newspapers, radio and TV.

In radio and TV, India is in catch-up mode compared with the rest of the world. Both are experiencing rapid growth: driven by licences for digital radio, there are now 250 radio stations in 91 cities, and 825 TV channels with more expected as the digital revolution continues.

The Indian TV market is currently the third largest TV market worldwide, with around 150 million TV homes and 600 million watchers. But the potential marketplace is around 1.4 billion, with a significant increase of TV viewership being driven by local cable operators, although this highly fragmented and disorganised distribution medium is prone to unreliable viewership figures. 98% of India's urban population has access to TV, which accounts for 50% of all advertising revenue in India.

Another key area of potential growth for investors is the telecommunications sector. There are 930 million mobile phone subscribers in India, but only 5% of them are using smartphones. Limited infrastructure support means India has very limited fixed broadband coverage but offers a potentially strong mobile broadband market.

Indeed, all media – for film, print, and TV – is going to be chasing the mobile opportunity including the 'Bollywood' film industry. Where the mobile world intersects with the film industry is where the growth opportunities are likely to lie.

"Organisations considering entering the Indian media market will find that, although people expect everything to be cheap, from food to travel to entry to events, the growing middle-class will spend its disposable income on media and entertainment. Sport, notably cricket, is a key media target with licensing rights for access to cricket statistics having a lot of value."

Anuj Chande, Head of South Asia Group, Grant Thornton UK LLP

"Other than the 'news' segment which still remains at 26%, the Indian government recently raised the Foreign Investment cap to 74% (up to 49% through the automatic route and balance through government approval) in various media segments including, inter alia, Direct to Home and Cable Networks (Multi-System-Operators undertaking upgradation of networks towards digitalisation and addressability). This move should assist in attracting greater investments into the sector thereby enhancing the quality of the infrastructure and increasing the reach of the related services."

Aseem Vohra, Partner, Assurance
Grant Thornton India LLP

UK media firms should consider basing themselves in Delhi, India's capital, and Mumbai, the centre of Indian finance, to best capture advertising revenues. Each state in India, however, has different languages and cultures which must be catered for.

India has not been immune to the slowdown in the world economy, yet the vibrant growth in its media market has become a magnet for Western media companies. As a broadcaster, you do need to have deep pockets to make a mark in competition with large players such as Reliance Industries and Times of India. Disney, for example, has invested heavily in the country.

From a media perspective, India has a significant advantage over China – a much younger population offering significant advertising opportunities across a range of channels.

Comment from Peter Phippen

Making a mark in India's growing media market

Peter Phippen, the former managing director of BBC Magazines at BBC Worldwide, who recently set up East West Relations to help media companies invest in India, including publishing a quarterly report offering the inside track on the Indian media market, believes the mobile marketplace offers a significant investment opportunity.

"You can get internet access for as little as $2 a month on a phone," says Phippen. "On laptops, it is $7-$9 a month, so for reasons of usability, poor fixed line coverage and economy, the phone is very much becoming the device of choice for data access. Social media is also taking off. Facebook has experienced exponential growth which has outstripped the local Orkut service. Facebook's users have grown from 35 million to well over 50 million in 18 months."

The growth in all these services, Phippen says, should be attractive for content providers. As 3G grows and with a substantial commitment to 4G also, India will be desperate for more content, some of it in English, but much of it in local languages. The application development market – notably for phone 'apps' – is still a nascent one, as is the online educational marketplace, especially in providing content for children. This will change radically during the next five years.

The next couple of years may see a period of consolidation in India's splintered media sector. Few of the television channels are making money and many analysts believe media consolidation is inevitable. There is an argument that the media industry has been too dependent on advertising revenues, while subscription revenues have been elusive mainly because of lack of organised distribution structure, eg cannibalisation of subscription revenues from distribution via local cable operators. However, digitisation is going to change that and we believe that the TV market will better reward specialist broadcasters and the TV content producers over the next few years, than has been the case up until now.

The B2B information market will be another massive growth opportunity. The professionalisation of all supply chains and the investment in a number of industries, such as Health, Aviation and Automotive, and the investment in infrastructure will all lead to a thirst for high quality business information services.

There is strong potential for UK companies in the Indian media sector, Phippen believes. "It is possible to argue that the UK has not made the most of its longstanding cultural links with India. UK media companies that seek to do so will find that patience is a virtue – it still takes time in India to get things done. But this is the moment to get to understand the market. India will be the third-largest world economy by 2030. And the media sector will be one of the highest growth sectors … it will compress into the next decade changes that have taken 50 years in the West.

"India will be desperate for more content, some of it in English, but also much of it in local languages. The application development market – notably for phone 'apps' – is still a nascent one, as is the online educational marketplace, especially in providing content for children."

IMF GDP Growth prediction 2013-14: 4.0% (2013) 4.1% (2014)	**Grant Thornton expansion index:** 8	**Opportunity:** 200 million people to target, including 79% that are ABC1; World Cup and Olympics events likely to reinforce strong growth; springboard to Latin America	**Challenges:** Local labour laws and taxes are restrictive and could be expensive; Brazil's growth prospects may also attract competitors

Country profile

Brazil

A recent speech at Canning House described Britain's close relationship with Brazil and Latin America and its track record of underestimating Latin America and neglecting its opportunities. UK exports to Latin America make up barely 1% of all international exports to the region, which comprises 576 million people and 20 sovereign republics. Brazil is on track to be the fifth-largest economy in the world by 2025, but the UK's trade with Brazil – which alone has 200 million people – is less than half its trade with Denmark. However, Brazil is close to the UK culturally and it likes the way the UK does business; both countries tend to 'follow the rules'.

The media and entertainment marketplace in Brazil is primed for significant consumer growth, thanks to its young population. The median age is 29, a lot younger than in advanced economies where the median age is 43, and even much younger than China, which has a median age of 34.

"There is a significant opportunity for advertising. It is widely known that 75% of Brazil's population is informed about current events through watching 'The Jornal Nacional' which is at 8.30pm. In addition, around 40 million people watch the mid-evening soap opera ('novela') from the Globo network, and 79% of the population meet an ABC social classification."

Madeleine Blankenstein, Partner and IBC Director, Grant Thornton Brazil

Brazil's consumers are very American in their habits. They spend to enhance their short-term well-being, and they tend not to save for a rainy day like the Chinese. According to Illan Goldfajn, chief economist at Brazilian bank Itaú, "If the world is looking for savers, Brazil is not much good. But if it's looking for consumers, then we might be able to help".

The main ways to enter the Brazilian marketplace are through a sales representation or a distribution network; setting up a subsidiary or a branch; or acquiring a company. Setting up sales representation and distribution networks can be challenging in finding the right individual or company and the potential lack of control over the way third parties distribute products. In acquiring a company in Brazil, one issue to consider is that overall expenses for employers, including taxes and benefits supported by protective local labour laws, can be significant.

"A company can be started quite easily in Brazil, but the process can be very bureaucratic. It is highly beneficial to have trusted advisers such as attorneys and accountants to ensure you get the right structure from the start and avoid unnecessary costs and headaches."

Colin Johnson, Director, Advisory Services, Grant Thornton UK LLP

In the exhibition sector, there have been a number of acquisitions of Brazilian trade shows and exhibitions by UK companies. Informa, Reed Exhibitions and United Business Media have all made acquisitions to expand their business in Brazil ahead of the 2014 World Cup and the 2016 Rio de Janeiro Olympics, and take advantage of the rapidly diversifying and expanding South American economies that include Peru, Colombia, Chile and Argentina. Buenos Aires is only a two hour flight from Sao Paolo.

"Overall Brazil is a market most major media companies cannot afford to ignore, but it requires dedication to achieve successful investments"

Madeleine Blankenstein

Case study

Clarion Events

Clarion Events has grown rapidly to become the largest independent event organiser in the UK and has a global presence. It now has 13 offices in nine different countries, including the UK, Germany, Turkey, The Netherlands, South Africa, the USA, Brazil, the UAE and Singapore.

Each year, Clarion Events organises more than 200 events – exhibitions, conferences and seated events – across the globe. Its current turnover is more than £100 million and profits have grown fourfold since a management buyout in 2004.

One of the countries where Clarion sees significant potential for events is Brazil. Clarion already organises LAAD Security, SegBrasil, the Energy Efficiency Forum Latin America and Pre Salt Brazil Congress, and is planning more shows in South America. It recently concluded an agreement with a local partner, Quartier Feiras, to develop Quartier's existing Brazil-based portfolio of exhibitions serving the infrastructure sector, a move that will bring together Clarion's existing Infrastructure Congress and Quartier's Brazil Road Expo Exhibition.

Clarion Events chief executive Simon Kimble says Clarion's future growth will be based on a successful approach of identifying high quality markets, like Brazil, and building leading brands with a committed base of exhibitors and visitors.

"Of all the emerging BRIC markets, Brazil is the one that is perhaps the most exciting. Brazil is embracing the consumer and it wants to drive forwards. One of the problems we're seeing, however, is that because the outlook for growth in Europe is so poor, there are very few other companies that aren't in Brazil. It is a very young country, and the competition for good local talent means there is a skills shortage, and labour costs are expensive. The country's recent growth means it is hard to find indigenous staff that are affordable. Grant Thornton's help in ensuring that our corporate and tax structures are fit for purpose is extremely important here."

"The country's recent growth means it is hard to find indigenous staff that are affordable. Grant Thornton's help in ensuring that our corporate and tax structures are fit for purpose is extremely important here."

"In terms of other markets, Clarion is not in China (albeit we have a growing presence in the broader ASEAN region) because we value our intellectual property and it is very easily copied. You also need the right partnership in China. So, for now, I think there are some risks involved in us investing there. I firmly believe, however, that one market worth keeping an eye on is Sub-Saharan Africa. There is a significant opportunity there."

IMF GDP Growth prediction 2013-14:
2.6% (2013)
3.1% (2014)

Grant Thornton expansion index:
9

Opportunity:
Tax benefits; strong GDP growth forecasts; ease of doing business; public spending

Challenges:
Political turmoil in the Middle East and North Africa region; Imposed labour requirements such as 'Saudization' in Saudi Arabia

Country profile

United Arab Emirates

To some extent the future media investment picture in the UAE is dependent on the fallout from the Arab Spring uprising across the Middle East and North Africa ('MENA') region. Global media groups have traditionally used the UAE as their head office for the region and as a hub to service the MENA region.

"As a result of the recent political turmoil in the region, year-on-year media spend has remained flat in the region from 2011 to 2012, and yet to return to the levels of 2010. Growth through acquisition has also been impacted with one of the global media groups pulling out of an acquisition in Cairo as a direct result of the uncertainty caused by the revolution in Egypt."

David Fisher, CEO, Grant Thornton Middle East Advisory Services

The media sector has seen significant growth in new digital media over traditional media such as TV, radio, and print. There has also been a growth in social media and user generated content (UGC) media such as Twitter, YouTube, and Facebook. Recent acquisitions support this trend, with independent digital businesses being bought by global media companies, for example, Publicis Group recently acquiring Dubai-based agency, Flip Media[1].

A key trend impacting UAE investment is the consolidation of global media contracts by significant corporates, with global media companies moving from an 'affiliate' model across the Middle East and North Africa region to a model whereby the Middle East and North African businesses are fully owned and controlled by the group. This is being driven by customers demanding consistent service delivery across the globe.

There are typically two options for companies in the UAE in terms of structure where there is foreign ownership: 'onshore' and 'offshore' in dedicated free zones. The most common onshore structure is a limited liability company (LLC). For LLCs, the 1984 federal commercial company law stipulates that a UAE national must own a majority (51%) of the share capital with the foreign shareholder holding a minority. In contrast, offshore free zones allow 100% foreign ownership. The free zones in the UAE tend to be sector specific, eg Dubai Media City for media companies in the UAE. There are significant tax benefits for foreign media companies investing in the UAE: no corporation tax is paid by media companies to the UAE government, and no income tax is paid by employees to the UAE government. Although the Dubai Media City free zone has attracted the most foreign investment to date, the emergence of other competing free zones in the UAE such as twofour54 in Abu Dhabi means that there are now several options in terms of location of office within the UAE for media businesses.

Media companies investing in the UAE should find it relatively straightforward. Once the required documents have been attested and notarised by lawyers and filed with the appropriate government body, assuming the requisite office space is available, a UAE presence can be finalised in a relatively short space of time. Grant Thornton regularly provides market entry advice to foreign investors who are considering their corporate structure in the region.

Firms considering acquisitions in Saudi Arabia should also take appropriate professional advice over the impact of Saudization, which refers to the country's national policy to encourage the employment of Saudi nationals in the private sector.

[1]Source: http://www.flipcorp.com/en/read/news/publicis-groupe-acquires-flip-media-leading-middle-eastern-digital-agency.news

Case study

Perform Group

The Perform Group is a specialist in the commercialisation of multimedia sports content across internet-enabled digital platforms. Its revenues are generated by a complex mix of content distribution, advertising and sponsorship, and the development and management of subscription platforms and technology and production. Perform last year completed an initial public offering (IPO) where it was advised by Grant Thornton on accelerating and funding its ambitions to increase its global growth and maintain its market leadership in multimedia sports content distribution.

It now owns one of the largest digital sports rights portfolios, covering more than 200 sports leagues, tournaments and events, which enables it to create a broad range of multimedia-ready sports content – from sports videos and editorial to data content – and then distribute it directly to sports fans and its business partners, including football clubs, sports federations, broadcasters, bookmakers, publishers and mobile operators.

It has employees across the UK and the rest of Europe as well as Australia, New Zealand, the United States, Singapore and India. As an example of the range of Perform's content, in 2012 it delivered 4.5 billion video streams, over 100 websites and mobile services and in November 2012 was ranked by comScore as the number one digital video provider in the US with 245 million unique viewers.

In entering markets, Perform will typically follow a successful model of working with a local media company, such as The Times of India and the broadcaster Al Jazeera in Abu Dhabi. Perform is working with Al Jazeera to operate what is believed to be the world's most advanced live sport streaming service available over the Web and as an iPad application. In India, it has a strategic alliance with Times Internet for highlights of Barclays Premier League football matches, and it recently launched local editions of Goal.com, the world's largest football website, in Singapore and Malaysia.

Further expansion is on the agenda and the China marketplace is also attractive, but joint chief executive Oliver Slipper admits it can be a complex region to enter.

"Some things in China make it difficult. In general there is a low regard for intellectual property, and a lot of rights are being streamed illegally. But we are looking at China and, if we can find the right partner, then there is a good business opportunity. In contrast, India has very limited fixed broadband coverage, but instead there is a very strong, mobile-led marketplace, and in the short to medium term is a much more attractive market for us to target."

> **Perform is working with Al Jazeera to operate what is believed to be the world's most advanced live sport streaming service available over the Web and as an iPad application.**

IMF GDP Growth prediction 2013-14:
2.5% (2013)
3.0% (2014)

Grant Thornton expansion index:
10

Opportunity:
Strong growth in digital and social media; strength of local software programming hotbeds; tax advantages; developing mobile internet usage

Challenges:
Recovering from economic trouble which has hit advertising spend; declining sectors other than TV and online

Country profile

Romania

Romania has one of the most dynamic media markets in South Eastern Europe. TV is the medium of choice. There is a competitive pay TV sector, and cable and satellite key platforms for delivery with Pro TV, Antena 1 and Realitatea TV being leading privately-owned outlets. TVR is the state-owned broadcaster.

The Romanian market is comparatively small, but like other countries, its growth is being fostered by empowered consumers looking for digital experiences, allied to the device revolution. After a difficult 2010 and 2011, growth is estimated to be around 9% a year between 2011 and 2015.

Mobile internet is a strong growth driver, and online media is expected to become the second most important market behind TV. Internet penetration, however, is comparatively low, around 40% at June 2012. Facebook usage is around 20%.

The film industry in Romania has recovered after some difficulties in the 1990s. Hollywood productions filmed in Romania include Cold Mountain in 2002. But film financing can be difficult, and although most producers attempt to obtain public funding, bureaucracy is a major drawback.

A key attraction of doing business in Romania is the low personal and corporate tax rate, which is a flat-rate 16%. Further significant no tax and low tax incentives apply for software and 'author rights' professionals. IT professionals providing services as freelancers benefit from reduced income tax. They pay 16% income tax on the value of the standard income threshold, which is set annually by local authorities where they carry out their business activities. IT professionals who are employees of companies may even benefit from a full exemption from the 16% rate of salary income tax.

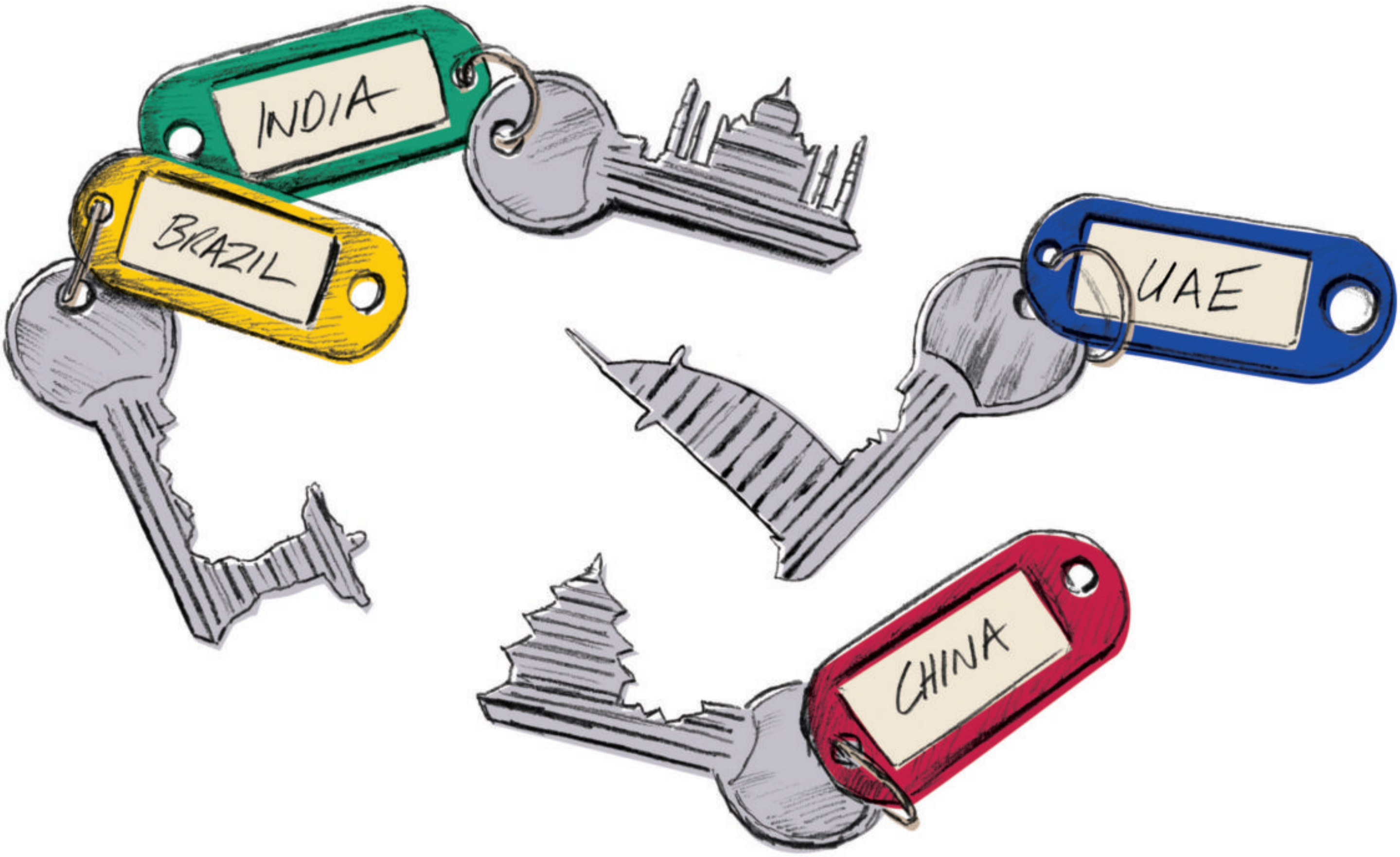
This minimalist tax incentive has helped make Romania a significant alternative destination for companies that are keen to offshore their software development. Cluj, in Transylvania, has become a key centre for IT software development, particularly for the computer games industry, and including, notably, the UK company, Betfair.

Grant Thornton tax specialists in Romania report that setting up a business in the country can be completed in up to five days with the right professional advice and documents in place. Most media – TV, radio, digital media – representation is based in the capital, Bucharest, although Romania does have a free trade zone on the Black Sea coast, although this is more likely to be used for the import of equipment.

"Romania is still on the way to overcome the digital divide. However, there has been a commitment to intensive development of the digital environment. Progress is being made every day. The entire industry is marked by the need to capture consumers' attention through continuing education, redefinition of the offer and attractive pricing."

Stefane Bride, Managing Partner,
Grant Thornton Romania

A key attraction of doing business in Romania is the low personal and corporate tax rate, which is a flat-rate 16%.


INDIA
BRAZIL
UAE
CHINA

Further information

About this report

Primary Research
Grant Thornton UK LLP engaged Experian to survey 50 UK headquartered mid-market Media companies with turnovers between £5 million and £200 million on where they currently owned businesses outside of the UK and their plans for acquiring overseas businesses in their sector in the next 12 months.

Secondary Research
Experian, the leading global information services company was engaged to build the Grant Thornton Media Expansion Index, comparing and ranking ten countries, selected by Grant Thornton's media team. Evidence from the primary research undertaken as well as consultation with Grant Thornton's media specialists has helped inform the weightings with some variables having been identified as being more important to the media sector.

IMF GDP Growth Prediction data source:
International Monetary Fund, World Economic Outlook Database, October 2012.

Country profiles
Information for the country profiles featured is based on research conducted independently using various external sources and interviews with clients of Grant Thornton UK LLP and colleagues from Grant Thornton International member firms in the UK, USA, China, France, Canada, India, Sweden, Brazil, UAE and Romania. Many thanks to all those involved in the production of this report.

Contributors
Grant Thornton wishes to acknowledge the contributions made to this report by the 50 Media survey respondents and the additional four client companies who took part in one of our case studies:

- Debbie Longbottom, Finance Director, Elmwood Design
- Peter Phippen, Founder and Chairman, East West Relations
- Simon Kimble, Chief Executive Officer, Clarion Events
- Oliver Slipper, Joint Chief Executive, Perform Group plc

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About Grant Thornton

Dynamic organisations know they need to apply both reason and instinct to decision-making. At Grant Thornton UK LLP, this is how we advise our clients every day.

We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deeper understanding of our clients.

Through empowered client service teams, approachable partners and shorter decision-making chains, we provide a wider point of view and operate in a way that's as fast and agile as our clients. The real benefit for dynamic organisations is more meaningful and forward-looking advice that can help to unlock their potential for growth.

The Grant Thornton Media & Entertainment team is a national group of dedicated industry specialists from Audit, Tax and Advisory and industry consultants who work together on a daily basis. Our service offering includes:

- audit compliance and accounting advice
- royalty audits
- production/DCMS audit
- acquisitions and disposals
- raising finance
- flotations
- international growth and related tax issues
- direct and indirect tax services
- employment issues.

We act for medium to large private companies, AIM-listed and venture capitalist and private equity backed businesses within film and television production and distribution, publishing, advertising and marketing services, music and computer gaming companies.

Many of our clients have international operations or aspirations, and Grant Thornton UK LLP is perfectly positioned to respond to these ambitions.

Grant Thornton International is one of the world's leading international organisations of independently owned and managed accounting and consulting firms. As the UK member firm, we can offer our clients access to professional advice delivered by other Grant Thornton International member firms in over 100 countries worldwide, including the world's main media centres.

For more information on Grant Thornton International member firms, please visit www.gti.org

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