

**TELEVISION ENTERPRISE AND
ASSET MANAGEMENT PLC**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 1997

Company No. 3148461



TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

Company registration number: 3148461

Registered office: 5 Chancery Lane
Clifford's Inn
LONDON
EC4A 1BU

Directors: P Dimmock - Chairman
D I Rendall - Chief Executive
M B Blakstad
C D W Brand
W M Dietel
S G Duthie
D R G Paterson
R S Price
G J F Stubbs

Secretary: Grays Inn Secretaries Limited

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

INDEX	PAGE
Report of the directors	1- 3
Report of the auditors	4
Accounting policies	5 - 7
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated cash flow statement	11
Notes to the financial statements	12 - 28

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

REPORT OF THE DIRECTORS

The directors present their report together with the consolidated financial statements of the group for the year ended 31 July 1997.

Principal activities and business review

The group comprises a holding company together with an intermediary holding company, six subsidiary operating companies and three associated operating companies. The operating companies carry out the production, distribution and exploitation of programming for the television, film and multimedia industries.

Company financial statements

The issue of shares in TEAM Plc in return for holdings in group undertakings during 1996 qualifies, at company level, for merger relief under Companies Act 1985 section 132.

Consequently, at company level the investments are shown at the par value of shares issued plus costs of issue and no fair value adjustments are incorporated.

Group financial statements

In order to present the results for the full year to 31 July 1997 with comparatives for the preceding year, a comparative proforma profit and loss account on page 8 and notes relating thereto have been presented as information additional to that required by statute. We believe that this additional information provides shareholders with more meaningful information than would be given by the statutory accounts alone.

Exceptional Items

Exceptional items concerning the loss on liquidation of Video International Publishing Limited, totalling £454,135 (1996: £1,267,021) are disclosed on the face of the profit and loss account on page 8. In addition, the group incurred further exceptional costs in the year totalling £422,631 relating to the group reorganisation, fundraising costs, a termination payment to a director and the costs of a dispute with a supplier. These costs are included within other operating charges in the profit and loss account.

Dividends

No dividend is proposed for the year.

Fixed assets

Changes in fixed assets are set out in notes 8, 9 and 10 to the accounts.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

REPORT OF THE DIRECTORS

Share capital

During the year, the company issued 84,056 ordinary shares of 10p each in further consideration for investments in group undertakings.

Directors

The directors holding office during the year had the following interests in the share capital of the company.

	<u>Number of ordinary shares</u>		
	<u>At 31 July</u> 1997	<u>At 31 July</u> 1996	<u>Shares under option</u>
P Dimmock - Chairman	11,035	11,035	22,621
D I Rendall - Chief Executive	19,086	9,786	7,741
M B Blakstad	77,681	68,013	2,904
C D W Brand	3,678	3,678	1,936
W M Dietel	11,035	11,035	22,621
S G Duthie (appointed 22.11.1996)	-	-	5,808
D R G Paterson	-	-	-
R S Price	-	-	-
J C Sawkins (resigned 30.4.1997)	22,621	22,621	-
G J F Stubbs	-	-	-

No options were exercised during the year.

Directors' responsibilities for the financial statements

Company law requires the directors of the group and company to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the group and company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

REPORT OF THE DIRECTORS

Payment policy

It is the company's policy to agree terms of payment individually with its suppliers when agreeing the terms of each transaction. These terms are confirmed with suppliers at the outset of a transaction and payments made accordingly.

At the year end, the ratio (expressed in days), of the amounts owed by the group to trade creditors to total purchases during the year was 12 days. The company figure is not presented, as it is not meaningful.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



S G Duthie - Director
26 February 1998

**AUDITORS REPORT TO THE SHAREHOLDERS OF
TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC**

We have audited the financial statements on pages 5 to 28 which have been prepared under the accounting policies set out on pages 5 to 8. The financial statements have been prepared on the going concern basis.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group as at 31 July 1997 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
26 FEBRUARY 1998**

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The principal accounting policies of the group are set out below. The proforma comparatives have been prepared under the same policies.

Company financial statements

The issue of shares in TEAM PLC in return for holdings in group undertakings, qualifies, at company level, for merger relief under Companies Act 1985 section 132.

Consequently, at company level the investments are shown at par value of shares issued plus costs of issue and no fair value adjustments are incorporated.

Group financial statements

The presentation of the comparative figures in the financial statements is complicated by the fact that the holding company was not in existence for the full year ended 31 July 1996 and the Companies Act requires that the statutory financial statements show consolidated Group results from the holding company's date of incorporation, 19 January 1996, to 31 July 1996. Accordingly, the statutory profit and loss account on page 8 reflects this requirement.

In order to present the results for the full year to 31 July 1996, a proforma profit and loss account on page 8 and notes relating thereto have been presented as information additional to that required by statute.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings.

GOODWILL

All goodwill arising on consolidation to 31 July 1996 has been written off directly to reserves. In accordance with Financial Reporting Standard No. 10, from the current year onwards, all goodwill is capitalised and amortised over its estimated useful life of 20 years.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

PRINCIPAL ACCOUNTING POLICIES

ASSOCIATED UNDERTAKINGS

Undertakings, other than subsidiary undertakings, in which the group has an investment representing at least 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings.

The group's share of the profits are included in the group profit and loss account. The group's balance sheet includes the investment at the group's share of net assets. Any premium paid is written off directly against reserves on acquisition.

Where an associated undertaking is itself a parent undertaking, the net assets and profits and losses taken into account are those of its group after making any consolidation adjustments.

TURNOVER

Programme productions

Where productions span the year end, production fees and associated recharges invoiced during the year are brought into account on a stage of completion basis. Production advances and costs are brought into account when the production is complete.

Exploitation of programme rights

Income on all contracts for the exploitation of programme rights issued either by the group or by its agents, are recognised in the period in which the contracts are signed and credited to the profit and loss account.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold property	- over the period of the lease
Fixtures, fittings, plant and equipment	- 25% to 33.3% on cost
Motor vehicles	- 25% on cost

DEVELOPMENT

Development expenditure is charged to profits in the period in which it is incurred except where recoverability can be assessed with reasonable certainty.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

PRINCIPAL ACCOUNTING POLICIES

INTANGIBLE ASSETS

Programme rights are stated at the lower of cost less amortisation, or market value.

Market value is the amount estimated by the directors which represents the aggregate of the net present value of expected future income streams less expected future costs arising in respect of the programme rights. Where market value is less than cost, an immediate provision is made which is charged to the profit and loss account.

Amortisation is provided at rates calculated to write off the cost or market value of each programme right over its expected useful life, which is a maximum period of fifteen years.

Income from programme rights does not arise evenly over the expected useful life and the amortisation charge each year is designed to match the expected proportion of income from each programme right in that year.

DEFERRED TAXATION

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Foreign currency balances are stated at the rate ruling at the balance sheet date.

PENSION COSTS

The group operates a defined contribution pension scheme and all payments are charged to the profit and loss account in the year in which they arise. The assets of the scheme are held separately from those of the group, in an independently administered fund.

LEASING AND HIRE PURCHASE COMMITMENTS

Assets obtained under finance leases and hire purchase contracts which result in the transfer of the group of substantially all the risks and rewards of ownership are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to provide a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Payments under operating leases are charged against income on a straight line basis over the lease term.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 JULY 1997

	Note	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Proforma year ended 31 July 1996 £
Turnover	1	27,974,007	6,604,418	11,686,943
Cost of sales		<u>(24,051,661)</u>	<u>(4,581,967)</u>	<u>(8,257,484)</u>
Gross profit		3,922,346	2,022,451	3,429,459
Other operating income and charges	2	(3,714,915)	(1,593,442)	(2,698,515)
Share of profits of associated undertakings		<u>201,092</u>	<u>186,477</u>	<u>350,005</u>
Operating profit		408,523	615,486	1,080,949
Exceptional item	3	(454,135)	(1,267,021)	(1,267,021)
Net interest	4	<u>(169,439)</u>	<u>22,799</u>	<u>30,273</u>
Loss on ordinary activities before taxation	1	(215,051)	(628,736)	(155,799)
Tax on loss on ordinary activities	6	<u>(182,123)</u>	<u>(125,055)</u>	<u>(282,019)</u>
Loss on ordinary activities after taxation		(397,174)	(753,791)	(437,818)
Equity minority interest		<u>-</u>	<u>(35,455)</u>	<u>(66,546)</u>
Retained loss for the year/period	20	<u><u>(397,174)</u></u>	<u><u>(789,246)</u></u>	<u><u>(504,364)</u></u>

Turnover and operating profit relate to continuing operations.

All recognised gains and losses are included in the profit and loss account.

The accompanying accounting policies and notes form an integral part of these financial statements.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

CONSOLIDATED BALANCE SHEET AT 31 JULY 1997

	Note	1997 £	1996 £
Fixed assets			
Intangible assets	8	7,090,163	9,239,024
Investments	9	1,712,166	1,786,785
Tangible assets	10	<u>435,248</u>	<u>439,655</u>
		<u>9,237,577</u>	<u>11,465,464</u>
Current assets			
Programmes in production	11	10,189,654	8,819,578
Stock	12	16,261	62,466
Debtors	13	5,183,480	6,448,032
Cash at bank and in hand	14	<u>9,710,951</u>	<u>3,676,587</u>
		<u>25,100,346</u>	<u>19,006,663</u>
Creditors: amounts falling due within one year	15	<u>(15,210,984)</u>	<u>(18,637,512)</u>
Net current assets		<u>9,889,362</u>	<u>369,151</u>
Total assets less current liabilities		19,126,939	11,834,615
Creditors: amounts falling due after more than one year	17	(9,352,671)	(1,773,173)
Provisions for liabilities and charges	18	<u>(620,000)</u>	<u>(510,000)</u>
Net assets		<u><u>9,154,268</u></u>	<u><u>9,551,442</u></u>
Capital and reserves			
Called up share capital	19	480,305	471,898
Share premium account	20	2,555,748	2,555,748
Goodwill reserve	20	(2,219,271)	(2,219,271)
Merger reserve	20	8,999,017	8,999,017
Profit and loss account	20	<u>(661,531)</u>	<u>(255,950)</u>
Shareholders' funds	21	<u><u>9,154,268</u></u>	<u><u>9,551,442</u></u>

The financial statements were approved and signed on behalf of the Board of Directors on 26 February 1998.

D I Rendall

S G Duthie

) Director

The accompanying accounting policies and notes form an integral part of these financial statements.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

COMPANY BALANCE SHEET

As at 31 JULY 1997

	Note	1997 £	1996 £
Fixed assets			
Investments	9	1,788,527	909,661
Tangible assets	10	<u>16,792</u>	<u>33,041</u>
		<u>1,805,319</u>	<u>942,702</u>
Current assets			
Debtors	13	783,762	1,149,488
Cash at bank and in hand		<u>245,926</u>	<u>127,867</u>
		1,029,688	1,277,355
Creditors: amounts falling due within one year	15	<u>(2,280,095)</u>	<u>(1,771,541)</u>
Net current liabilities		<u>(1,250,407)</u>	<u>(494,186)</u>
Total assets less current liabilities		554,912	448,516
Creditors: amounts fall due after more than one year	16	<u>(1,000,000)</u>	<u>-</u>
Net (liabilities)/assets		<u>(445,088)</u>	<u>448,516</u>
Capital and reserves			
Called up share capital	19	480,305	471,898
Profit and loss account		<u>(925,393)</u>	<u>(23,382)</u>
Shareholders' funds		<u>(445,088)</u>	<u>448,516</u>

The financial statements were approved and signed on behalf of the Board of Directors on 26 February 1998.

D I Rendall

S G Duthie

) Directors

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 JULY 1997

	Note	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Proforma year ended 31 July 1996 £
Net cash (outflow)/inflow from operating activities	22	16,321,973	(4,054,140)	(7,854,447)
Returns on investments and servicing of finance				
Interest element of finance lease repayments		(548,173)	(11,638)	(15,517)
Net other interest receivable		378,734	34,437	45,790
Dividends received		<u>179,891</u>	<u>60,020</u>	<u>128,210</u>
Net cash inflow from returns on investments and servicing of finance		<u>10,452</u>	<u>82,819</u>	<u>158,483</u>
Taxation				
UK corporation tax paid		<u>(195,248)</u>	<u>(10,631)</u>	<u>(23,618)</u>
Capital expenditure and financial investment				
Purchase of investments		(574,661)	(684,519)	(684,519)
Payments to acquire tangible fixed assets		(246,063)	(44,575)	(44,575)
Receipts from sale of tangible fixed assets		33,660	62,475	62,475
Payments to acquire intangible fixed assets		(260,494)	-	-
Receipts from sale of intangible fixed assets		<u>314,366</u>	<u>-</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment		<u>(733,192)</u>	<u>(666,619)</u>	<u>(666,619)</u>
Acquisitions and disposals		-	-	-
Net cash inflow on acquisition of subsidiary undertakings		<u>-</u>	<u>16,994</u>	<u>16,994</u>
Net cash inflow from acquisitions and disposals		<u>-</u>	<u>16,994</u>	<u>16,994</u>
Net cash inflow/(outflow) before financing		15,403,985	(4,631,577)	(8,369,207)
Financing				
Net repayment of borrowings		(806,236)	1,240,815	1,240,815
Issue of convertible loan stock		1,000,000	-	-
Net repayment of finance leases		<u>(789,093)</u>	<u>(26,894)</u>	<u>(26,894)</u>
Net cash (inflow)/outflow from financing		<u>(595,329)</u>	<u>1,213,921</u>	<u>1,213,921</u>
Increase/(decrease) in cash	23	<u><u>14,808,656</u></u>	<u><u>(3,417,656)</u></u>	<u><u>(7,155,286)</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

All turnover arose in the United Kingdom from the production and distribution of television and programming and related products.

	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Group Proforma year ended 31 July 1996 £
The loss is stated after charging/(crediting):			
Auditors' remuneration			
- audit services	52,633	11,398	20,988
- non audit services	13,294	2,282	5,090
Amortisation of catalogue and rights	10,515,023	244,456	267,817
Depreciation of fixed assets - owned assets	126,207	65,723	105,921
Depreciation of fixed assets - leased assets	102,851	-	-
(Profit) on disposal of fixed assets	(12,248)	-	(8,016)
Operating lease rentals - plant and equipment	41,944	14,874	27,022
Operating leases - land and buildings	181,369	89,840	164,594
Development costs	327,002	205,532	385,768

2 OTHER OPERATING INCOME AND CHARGES

	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Group Proforma year ended 31 July 1996 £
Distribution costs	50,151	29,187	54,782
Administrative expenses	3,664,764	1,564,255	2,643,733
	<u>3,714,915</u>	<u>1,593,442</u>	<u>2,698,515</u>

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

3 EXCEPTIONAL ITEMS

	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Group Proforma year ended 31 July 1996 £
Loss on liquidation of Video International Publishing Limited	<u>454,135</u>	<u>1,267,021</u>	<u>1,267,021</u>

In addition to the above, the group incurred further exceptional costs in the year totalling £410,549 relating to the group reorganisation, fundraising costs, a termination payment to a director and the costs of a dispute with a supplier. The costs are included within administrative expenses disclosed in note 2.

4 NET INTEREST

	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Group Proforma year ended 31 July 1996 £
On bank loans, overdrafts and other loans repayable within five years, other than by instalments	(192,405)	(4,738)	(6,335)
Finance lease and hire purchase interest	(548,173)	(11,638)	(15,517)
Interest receivable and similar income	<u>571,139</u>	<u>39,175</u>	<u>52,125</u>
	<u>(169,439)</u>	<u>22,799</u>	<u>30,273</u>

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

5 DIRECTORS AND EMPLOYEES

	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Group Proforma year ended 31 July 1996 £
Staff costs during the year (inc. directors) were as follows:			
Wages and salaries	2,321,170	742,994	1,324,015
Social security costs	230,632	64,140	110,264
Other pension costs	123,199	36,299	63,231
	<u>2,675,001</u>	<u>843,433</u>	<u>1,497,510</u>
	Number	Number	Number
The average number of employees including directors of the group during the year is as follows:			
Management and administration	12	8	16
Productions	<u>55</u>	<u>11</u>	<u>17</u>
	<u>67</u>	<u>19</u>	<u>33</u>
	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Group Proforma year ended 31 July 1996 £
Remuneration in respect of directors was as follows:			
Management remuneration	373,058	55,922	55,922
Directors' fees	22,901	5,608	5,608
Termination payment	103,169	-	-
Pension costs	<u>39,495</u>	<u>6,724</u>	<u>6,724</u>
	<u>538,623</u>	<u>68,254</u>	<u>68,254</u>

The emoluments of the highest paid director (excluding pension contributions) were £140,766 (1996: £22,694).

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

6 TAX ON LOSS ORDINARY ACTIVITIES

	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Group Proforma year ended 31 July 1996 £
The tax charge/(credit) is based on the loss for the year and represents:			
Corporation tax at 25% (1996: 25%)	1,503	109,893	206,261
Deferred tax	110,000	(50,000)	(50,000)
Tax on franked investment income	13,178	9,775	21,801
Tax in respect of associated undertakings	57,442	55,387	103,957
	<u>182,123</u>	<u>125,055</u>	<u>282,019</u>

7 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group loss for the year includes a loss of £893,604 (1996 loss: £23,382), after charging exceptional costs of £864,684 referred to in note 3, which is dealt with in the financial statements of the company.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

8 INTANGIBLE FIXED ASSETS

	Production and programme rights £
The Group	
Cost	
At 1 August 1996	13,861,688
Additions	8,680,528
Disposals	<u>(432,868)</u>
At 31 July 1997	<u>22,109,348</u>
Amortisation	
At 1 August 1996	4,622,664
Provided to 31 July 1997	10,515,023
Released to disposals	<u>(118,502)</u>
At 31 July 1997	<u>15,019,185</u>
Net book value	
At 31 July 1997	<u><u>7,090,163</u></u>
At 31 July 1996	<u><u>9,239,024</u></u>

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

9 INVESTMENTS

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Interest in subsidiary undertakings (a)	-	-	909,661	909,661
Interests in associated undertakings (b)	833,300	867,228	-	-
Other fixed asset investments (c)	878,866	919,557	878,866	-
	<u>1,712,166</u>	<u>1,786,785</u>	<u>1,788,527</u>	<u>909,661</u>

(a) Interest in subsidiary undertakings

The Company

	£
Cost and net book amount at 1 August 1996 and 31 July 1997	<u>909,661</u>

At 31 July 1997 the group and the company held 50% or more of the equity of the following companies:

	Nature of business	Class of share capital held	Proportion held by parent company	by group
Team (Holdings) plc	Holding company	Ordinary bearer	100%	100%
Zenith Group Limited	Holding company	Ordinary bearer	20%	100%
Zenith Productions Limited	Programme production	Ordinary bearer	-	100%
Rhodes Productions Limited	Programme production	Ordinary bearer	-	100%
Velvet Goldmine Productions Limited	Film production	Ordinary bearer	-	100%
Workhouse Limited	Video and new media production	Ordinary bearer	20%	100%
Team Programmes Limited	Programme distribution	Ordinary bearer	93%	100%
Team (Australia) Limited	Holding company	Ordinary	-	100%
Video International Publishing Limited	In liquidation	Ordinary bearer	60%	100%

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

INVESTMENTS (CONTINUED)

All of the subsidiary undertakings with the exception of Video International Publishing Limited have been consolidated in the group financial statements and are registered in England and Wales.

Video International Publishing Limited has been excluded from consolidation due to severe long term restrictions on the group exercising its influence over the company due to it being in liquidation.

The undertakings have all been accounted for by the acquisition method with the exception of TEAM (Holdings) Plc (formerly TEAM Plc) and its subsidiary undertakings which have been accounted for under the merger method of accounting as permitted by the Companies Act 1985 and Financial Reporting Standard 6.

(b) Interest in associated undertakings

(i) At 31 July 1997 the group had interests in the following associated undertakings:

	Nature of business	Class of share	% of class held	% of equity held
Primetime plc	Programme distributors	'A' £1 ordinary	24.4%	25.1%
		'B' £1 ordinary	25.1%	25.1%
Tiger Television Limited	Programme production	£1 ordinary	25.1%	25.1%
The Sales Consortium Limited	Programme sales	£1 ordinary	33.3%	33.3%
Ant and Dec Productions Limited	Programme production	£1 ordinary	50%	50%

All the interests in associated undertakings are held by TEAM (Holdings) Plc with the exception of The Sales Consortium Limited (held by Zenith Productions Limited) and Ant and Dec Productions Limited (held by Zenith Group Limited). All of the companies are registered in England and Wales.

	£
ii) Group share of net assets of associated undertakings	
At 1 August 1996	867,228
Additional investment in associate	2,312
Share of profits of associated undertakings	201,092
Share of tax of associated undertakings	(57,442)
Less: dividends paid	(179,890)
At 31 July 1997	<u>833,300</u>

The group's share of retained profits of associated undertakings at 31 July 1997 was £49,423 (1996: £179,804).

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

(c) Other fixed asset investments

The group has invested £878,866 for 125 A\$1 convertible preference shares in Screentime Pty Limited, a company registered in Australia. This investment is stated at cost at the year end.

On 1 December 1997, these shares were converted to ordinary shares representing 25% of the ordinary share capital of that company.

10 TANGIBLE FIXED ASSETS

	Short leasehold improvements £	Motor vehicles £	Fixtures, fittings, plant and equipment £	Total £
The Group				
Cost				
At 1 August 1996	32,162	44,400	1,009,579	1,086,141
Additions	-	-	246,063	246,063
Disposals	-	(34,400)	(10,129)	(44,529)
At 31 July 1997	<u>32,162</u>	<u>10,000</u>	<u>1,245,573</u>	<u>1,287,675</u>
Depreciation				
At 1 August 1996	18,073	26,875	601,538	646,486
Charge for the year	3,851	625	224,582	229,058
Released to disposals	-	(17,500)	(5,617)	(23,117)
At 31 July 1997	<u>21,924</u>	<u>10,000</u>	<u>820,503</u>	<u>852,427</u>
Net book value				
At 31 July 1997	<u>10,238</u>	<u>-</u>	<u>425,010</u>	<u>435,248</u>
At 31 July 1996	<u>14,089</u>	<u>18,748</u>	<u>406,818</u>	<u>439,655</u>

The net book value of fixed assets at 31 July 1997 includes an amount of £245,657 (1996: £209,380) in respect of assets held under finance leases.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

TANGIBLE FIXED ASSETS (CONTINUED)

The Company	Fixtures, fittings, plant and equipment £	Motor vehicles £	Total £
Cost			
At 1 August 1996	27,362	19,000	46,362
Additions	3,523	-	3,523
Disposals	-	(19,000)	(19,000)
At 31 July 1997	<u>30,885</u>	<u>-</u>	<u>30,885</u>
Depreciation			
At 1 August 1996	7,371	5,950	13,321
Charge for the year	6,722	-	6,722
Disposals	-	(5,950)	(5,950)
At 31 July 1997	<u>14,093</u>	<u>-</u>	<u>14,903</u>
Net book value			
At 31 July 1997	<u>16,792</u>	<u>-</u>	<u>16,792</u>
At 31 July 1996	<u>18,768</u>	<u>14,273</u>	<u>33,041</u>

11 PROGRAMMES IN PRODUCTION

Programmes in production at the year end are held at cost, together with the value of production fees earned during the year.

12 STOCKS

Group only	1997 £	1996 £
Consumables	3,590	3,788
Work in progress	12,121	57,931
Finished goods	<u>550</u>	<u>747</u>
	<u>16,261</u>	<u>62,466</u>

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

13 DEBTORS

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Trade debtors	962,475	1,277,616	1,633	1,633
Amounts due from group undertakings	-	-	744,530	1,051,662
Amounts due from related undertakings	1,025,007	1,164,439	3,324	18,851
Contracted income due within twelve months	1,967,000	1,618,000	-	-
Other debtors	645,270	361,255	30,085	9,390
Prepayments and accrued income	583,728	2,026,722	4,190	67,952
	<u>5,183,480</u>	<u>6,448,032</u>	<u>783,762</u>	<u>1,149,488</u>

14 CASH AT BANK AND IN HAND

Group only

Included within cash at bank and in hand is a deposit of £7,532,262 (1996:£Nil) with ING Bank International as security for on-going finance lease obligations of the group. This is not available for group use unless replaced with comparable security.

Also included are amounts of £559,610 (1996: £1,350,230) which are held in individual bank trust accounts in order to fund specific film and production projects.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loans and overdrafts	941,411	9,715,703	-	-
Trade creditors	438,600	671,725	18,675	4
Amount due to group undertakings	-	-	2,122,979	1,246,006
Amounts due to related undertakings	318	178,549	-	86,000
Corporation tax	200,342	380,909	(1,962)	-
Other taxes and social security	512,952	417,730	-	27,352
Other creditors	10,601,738	701,481	995	-
Accruals and deferred income	2,192,026	6,493,025	139,408	412,179
Amounts due under finance leases	323,597	78,390	-	-
	<u>15,210,984</u>	<u>18,637,512</u>	<u>2,280,095</u>	<u>1,771,541</u>

Included within other creditors are production advances totalling £10,542,674 (1996: £312,045). These amounts are included in borrowings in note 17.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1997 £	1996 £	Company 1997 £
Bank loan	900,000	1,700,000	-
Finance leases	7,452,671	66,937	-
Other creditors	-	6,236	-
Convertible loan stock	1,000,000	-	1,000,000
	<u>9,352,671</u>	<u>1,773,173</u>	<u>1,000,000</u>

17 BORROWINGS

	Group 1997 £	1996 £	Company 1997 £
Borrowings are repayable as follows:			
Within one year			
Bank and other borrowings	11,484,085	9,715,703	-
Finance lease obligations	323,597	78,390	-
Other creditors	-	6,236	-
After one year and within two years			
Bank loan	900,000	800,000	-
Finance lease obligations	346,347	66,937	-
Convertible loan stock	1,000,000	-	1,000,000
After two and within five years			
Bank loan	-	900,000	-
Finance lease obligations	1,494,395	-	-
After five years			
Finance lease obligations	<u>5,611,929</u>	<u>-</u>	<u>-</u>
	<u>21,160,353</u>	<u>11,567,266</u>	<u>1,000,000</u>

Security

Bank and other borrowings totalling £3,342,349 (1996: £nil) are secured by a first fixed and floating charge over the film rights and properties in respect of the production to which they relate.

The bank loan is secured on future income from programme rights together with a floating charge on the assets of Team Programmes Limited.

Finance lease obligations totalling £7,588,114 are secured by the cash deposit referred to in note 14.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

BORROWINGS (CONTINUED)

Convertible loan stock

On 26 February 1997, the company issued £1,000,000 of convertible redeemable secured loan stock. The stock carries no right to interest and is automatically repayable by the company on 26 February 1999. As security, the loan stock investors have been granted fixed and floating charges over the assets of various group companies and warrants to subscribe for ordinary shares (see note 19).

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 August 1996	510,000
Charged in year	<u>110,000</u>
At 31 July 1997	<u><u>620,000</u></u>

The deferred tax provision is calculated at 31% and represents accelerated allowances on programme rights.

19 SHARE CAPITAL

	1997		1996	
	Number	£	Number	£
Authorised:				
Ordinary shares of 10p each	9,548,932	954,893	9,548,932	954,893
Deferred shares of 10p each	<u>451,068</u>	<u>45,107</u>	<u>451,068</u>	<u>45,107</u>
	<u><u>10,000,000</u></u>	<u><u>1,000,000</u></u>	<u><u>10,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:				
Ordinary shares of 10p each	4,351,985	435,198	4,267,909	426,791
Deferred shares of 10p each	<u>451,068</u>	<u>45,107</u>	<u>451,068</u>	<u>45,107</u>
	<u><u>4,803,053</u></u>	<u><u>480,305</u></u>	<u><u>4,718,977</u></u>	<u><u>471,898</u></u>

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

SHARE CAPITAL (CONTINUED)

Allotments during the year:

During the year the company issued 84,056 shares with an aggregate nominal value of £8,407 pursuant to the restructuring agreement entered into during the period ended 31 July 1996.

Convertible loan stock (see note 17)

Loan stock which has not been redeemed may, at any time at the option of the stockholder, be converted into one ordinary shares for each £1.50 nominal amount of stock held (subject to certain limited adjustments following a capitalisation of profits or reserves). Such ordinary shares will be issued on the same terms as existing ordinary shares.

The stockholder will not be able to convert his stock into ordinary shares if the board of the company has issued a notice requiring the stockholders to subscribe for the remaining unissued £500,000 of loan stock (or if the relevant stockholder defaults in such subscription).

Warrants

A number of investors are the registered holders of warrants which entitle them to acquire one fully paid ordinary share of 10 pence each in the company per warrant issued. The price of 10 pence may be altered by the board of the company by extraordinary resolution or if there is a capitalisation of profits or reserves. Warrant holders can subscribe for ordinary shares by exercising their warrants at any time up until 28 February 2001 after which the warrants will expire. No warrants have been exercised as to today's date. If all of the warrants were exercised, 285,526 new ordinary shares would be issued.

If the board of the company issues either a subscription notice or a funding default notice, the opportunity to acquire fully paid ordinary shares will come to an end from the date of issue of the notice.

Deferred Shares

The holders of the deferred shares are only entitled to participate in the assets of the company on a return of capital after the holders of every other class of shares have received £1,000,000 in respect of each share held by them and are not entitled to any participation in the profits of the company.

The company is empowered under the Articles of Association to purchase any or all deferred shares for an aggregate consideration of £1.

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

20 RESERVES

	Goodwill reserve £	Profit and loss £	Share premium £	Merger reserve £	Total £
At 1 August 1996	(2,219,271)	(255,950)	2,555,748	8,999,017	9,079,544
Loss for the year	-	(397,174)	-	-	(397,174)
Issue of ratchet shares	-	(8,407)	-	-	(8,407)
At 31 July 1997	<u>(2,219,271)</u>	<u>(661,531)</u>	<u>2,555,748</u>	<u>8,999,017</u>	<u>8,673,963</u>

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Shareholders' funds at 1 August 1996/1995	9,551,442	1,263,313
Profit in the period to 19 January 1996		284,880
Issue of share capital		<u>238,756</u>
At 19 January 1996		1,786,949
Loss in the year/period to 31 July 1997/31 July 1996	(397,174)	(789,246)
Goodwill written off		(445,278)
Merger reserve on group reconstruction		8,999,017
Issue of share capital		<u>-</u>
Shareholders' funds at 31 July 1997/1996	<u>9,154,268</u>	<u>9,551,442</u>

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

22 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 July 1997 £	28 weeks ended 31 July 1996 £	Proforma year ended 31 July 1996 £
Operating profit	408,523	615,486	1,080,949
Depreciation	229,058	61,452	105,920
Amortisation	10,515,023	246,513	269,874
Share of profits of associated undertakings	(201,092)	(186,477)	(350,005)
Profit on disposal of tangible fixed assets	(12,248)	-	(8,016)
Movement in stock	46,205	9,349	9,349
Movement in debtors	1,264,552	(330,602)	(918,417)
Movement in creditors	5,896,163	(804,035)	(2,025,825)
Movement in programmes in production	(1,370,076)	(2,682,618)	(5,035,068)
Exceptional items	(454,135)	(1,267,021)	(1,267,021)
Capitalised expenses	-	(481,767)	(481,767)
Non cash movement on write off of investment	-	765,580	765,580
Net cash (outflow)/inflow from operating activities	<u>16,321,973</u>	<u>(4,054,140)</u>	<u>(7,854,447)</u>

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £	1996 £
Increase/(decrease) in cash in the year	14,808,656	(3,417,656)
Cash outflow from financing	<u>595,329</u>	<u>(1,213,921)</u>
Change in net debt resulting from cash flows	15,403,985	(4,631,577)
Inception of finance leases	<u>(8,420,034)</u>	<u>-</u>
Movement in net debt in the year	6,983,951	(4,631,577)
Net debt at 1 August 1996/1995	<u>(7,890,679)</u>	<u>(3,259,102)</u>
Net debt at 31 July 1997/1996	<u>(906,728)</u>	<u>(7,890,679)</u>

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 1996	Cash flow	Non-cash items	At 31 July 1997
Cash at bank and in hand	3,676,587	6,034,364	-	9,710,951
Bank overdraft and short term loans	(9,715,703)	8,774,292	-	(941,411)
	(6,039,116)	14,808,656	-	8,769,540
Bank loans	(1,706,236)	806,236	-	(900,000)
Finance leases	(145,327)	789,093	(8,420,034)	(7,776,268)
Convertible loan stock	-	(1,000,000)	-	(1,000,000)
	<u>(7,890,679)</u>	<u>15,403,985</u>	<u>(8,420,034)</u>	<u>(906,728)</u>

25 CAPITAL COMMITMENTS

The group had contracted development commitments of £116,744 (1996: £204,533) which have not been provided for.

Apart from the above, the group and company had no capital commitments at 31 July 1997 or 31 July 1996.

26 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 1997 or at 31 July 1996.

27 LEASING COMMITMENTS

The group has commitments under operating leases for the following payments in the year ending 31 July 1998. The leases to which these amounts relate expire as follows:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	4,536	4,177	66,667	25,635
Between one and five years	46,000	54,455	76,000	22,981
In five years or more	120,000	-	-	-
	<u>170,536</u>	<u>58,632</u>	<u>142,667</u>	<u>48,616</u>

The company had no leasing commitments at 31 July 1997 (1996: £nil).

TELEVISION ENTERPRISE AND ASSET MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 JULY 1997

28 RELATED PARTY TRANSACTIONS

During the year the group has undertaken transactions with its associate companies, Hamish Macbeth Productions Limited ("HMPL"), Ant and Dec Productions Limited ("ADPL") and The Sales Consortium Limited (trading as The Sales Company) ("TSC"), Tiger Television Limited ("Tiger") and Primetime PLC ("Primetime"), which have resulted in the following income and expenses.

Production fees and other production income	283,342
Dividends	179,891
Management fees	24,056
Contributions to the cost of attending film festivals	6,000
Income from programme rights (net of acquisition costs)	1,194,655

Balances at the year end with these related parties were:

	Intercompany debtors £	Trade debtors £
HMPL	-	101,880
ADPL	-	660
TSC	84,550	-
Tiger	1,833	-
Primetime	399,133	-