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Report and Accounts

Channel 5 Television Group Limited

31 December 1999

A37 *A6QFKQMH* 0075
COMPANIES HOUSE 19/05/00

DIRECTORS
R Sautter (Chairman)
D Elstein
D Harte
N Humby
J Willis

SECRETARY
C Campbell

AUDITORS
Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS
HSBC Bank plc
69 Pall Mall
London SW1Y 5EY

SOLICITORS
Travers Smith Braithwaite
10 Snow Hill
London EC1A 2AL

REGISTERED OFFICE
22 Long Acre
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The directors present their report and accounts for the year ended 31 December 1999.

RESULTS AND DIVIDENDS
The loss for the year, after taxation, amounted to £35,824,480 (1998 - £56,509,612). The directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS
The group's principal activities are commercial broadcasting and the provision of technical and engineering services to the television industry.

FUTURE DEVELOPMENTS
The group aims to increase audience numbers. This will involve the purchasing of content that supports the targeted levels of growth. This will be supported by marketing campaigns that continue to drive the company forward. This strategy will be accompanied by investment in several new business areas, either independently or in conjunction with partners. The group will also continue to expand the provision of technical and engineering services.

DISABLED EMPLOYEES
The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

EMPLOYEE INVOLVEMENT
The board values two-way communication between senior management and employees at all levels. In order to achieve this, regular meetings are held with employees at departmental level and company meetings are held periodically with senior management. Employees are encouraged to present their suggestions and views on the group's performance in these meetings.

IMPORTANT EVENTS
Subsequent to the year end Warburg Pincus Ventures, LP sold its 28.46% stake in the voting shares of the company (effective 18.02% economic interest). The shares were wholly taken up by the existing Shareholders. The sale was completed on 16 February 2000.

During the year a long-term incentive scheme was introduced for senior managers. The scheme will pay out to employees in 2002 and 2003. These amounts are being accrued in line with profit expectations.

DIRECTORS AND THEIR INTERESTS
The directors of the company who served during the year ended 31 December 1999 were as follows:

R Sautter	(Chairman appointed 23 July 1999)
G Dyke	(Chairman resigned 23 July 1999)
D Elstein	
D Harte	
N Humby	(Appointed 23 July 1999)
D Shorthouse	(Resigned 16th February 2000)
J Willis	

As at 31 December 1999, none of the directors had an interest in the share capital of the company.

YEAR 2000 COMPLIANCE

The company has long recognised the importance of ensuring compliance with year 2000 and other date related issues.

A company wide programme, designed to address the impact of year 2000 on our business has been commissioned by the Board. Resources have been allocated and the Board receives regular reports on progress and issues arising.

Much of the cost of implementing the action plans has been subsumed into the recurring activities of the departments involved and the costs expensed as incurred. We do not anticipate any additional costs in the year 2000.

Subsequent to the year end there have been no issues in relation to year 2000 issues. We will continue to monitor our systems in relation to any further date related issues.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ernst & Young

REPORT OF THE AUDITORS to the members of Channel 5 Television Group Ltd

We have audited the accounts on pages 6 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors
As described on page 4 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

31 MAR 2000

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1999

	Notes	*1999* *£000*	*1998* *£000*
TURNOVER	1	191,079	144,434
Cost of sales		187,472	176,920
		3,607	(32,486)
Administration expenses		(19,042)	(15,525)
GROUP OPERATING LOSS		(15,435)	(48,011)
Share of operating loss in Associate		(684)	(846)
TOTAL OPERATING LOSS: GROUP AND SHARE OF ASSOCIATE		(16,119)	(48,857)
Loss on disposal of tangible fixed assets		-	(1,677)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(16,119)	(50,534)
Interest receivable		846	1,234
Interest payable and similar charges	6	(25,838)	(28,752)
		(24,992)	(27,518)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(41,111)	(78,052)
Tax credit on loss on ordinary activities	7	5,695	21,726
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(35,416)	(56,326)
Minority interest		(409)	(184)
LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING		(35,825)	(56,510)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999 *£000*	*1998* *£000*
Loss of group before Associate	(35,141)	(55,664)
Share of loss of the Associate	(684)	(846)
Total recognised loss for the year	(35,825)	(56,510)

Channel 5 Television Group Limited

GROUP BALANCE SHEET
at 31 December 1999

	Notes	*1999* *£000*	*1998* *£000*
FIXED ASSETS			
Tangible assets	9	6,961	10,392
Investments	10	(171)	(1,288)
		6,790	9,104
CURRENT ASSETS			
Stocks	11	78,943	81,129
Debtors due within one year	12	54,489	53,344
Debtors due after more than one year	12	61,343	54,671
Investments	13	-	9,204
Cash at bank and in hand		33,730	8,983
		228,505	207,331
CREDITORS: amounts falling due within one year	14	(87,959)	(113,713)
NET CURRENT ASSETS		140,546	93,618
TOTAL ASSETS LESS CURRENT LIABILITIES		147,336	102,722
CREDITORS: amounts falling due after more than one year	15	(489,176)	(409,146)
		(341,840)	(306,424)
MINORITY INTEREST			
Equity		(539)	(130)
Non equity		(58)	(58)
		(597)	(188)
		(342,437)	(306,612)
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Share premium account	18	20,001	20,001
Profit and loss account	18	(362,438)	(326,613)
		(342,437)	(306,612)

31 MAR 2000 Director

BALANCE SHEET
at 31 December 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Investments	10	736	736
CURRENT ASSETS			
Debtors	12	301,679	261,223
Investments	13	-	8,400
Cash at bank and in hand		27,583	-
		329,262	269,623
CREDITORS: amounts falling due within one year	14	(41,859)	(38,844)
NET CURRENT ASSETS		287,403	230,779
TOTAL ASSETS LESS CURRENT LIABILITIES		288,139	231,515
CREDITORS: amounts falling due after more than one year	15	(267,708)	(214,954)
		20,431	16,561
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Share premium account	18	20,001	20,001
Profit and loss account	18	430	(3,440)
		20,431	16,561

31 MAR 2000 Director

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 1999

	Notes	*1999* *£000*	*1998* *£000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	3(b)	(14,851)	(59,448)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		846	1,234
Interest paid		(9,672)	(8,448)
		(8,826)	(7,214)
TAXATION			
Consortium relief received		8,794	13,068
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(852)	(940)
Payments to acquire fixed asset investments		-	(50)
		(852)	(990)
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(15,735)	(54,584)
MANAGEMENT OF LIQUID RESOURCES			
Decrease in short term deposits	20b	9,204	13,820
		(6,531)	(40,764)
FINANCING			
(Repayment)/ loan stock		-	(65,500)
Proceeds from new loans		31,400	108,600
(Repayments) of finance leases	20b	(122)	(109)
Finance costs of new loans		-	(553)
		31,278	42,438
INCREASE IN CASH BALANCES	20b	24,747	1,674

1. ACCOUNTING POLICIES

Basis of preparation
The accounts are prepared under the historical cost convention and on a going concern basis. The group is dependent on continuing finance being made available by its shareholders to enable it to continue trading and meet its liabilities as they fall due. The shareholders have agreed to provide sufficient funds for the company for these purposes. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

The accounts have been prepared in accordance with applicable accounting standards.

Basis of consolidation
The group accounts comprise the accounts for Channel 5 Television Group Limited and all of its subsidiary undertakings. No profit and loss account is presented for Channel 5 Television Group Limited as permitted by section 230 of the Companies Act 1985. The company profit for the year was £3,870,462.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method.

Turnover
Turnover represents amounts invoiced for advertisements transmitted and technical and engineering services supplied. Advertising income is recognised at the time of transmission. Turnover is stated exclusive of value added tax and commissions.

Acquired programme rights
The full cost of acquired programme rights is recognised as a prepayment upon signature of the relevant contract. The rights are included within stock in the balance sheet upon commencement of the licence period. Any relevant programme creditors are included in creditors (within one year and after more than one year). A proportion of the asset is charged against profits on the date of each transmission.

Commissioned programmes
The cost of commissioned programmes are recognised as stock within the balance sheet either when costs are incurred (for fully funded programmes) or when completed episodes are delivered by the production company (for licensed programmes). Licensed programmes and payments made in advance of the group having availability to transmit the related programmes are treated as prepayments. The total cost is recognised in the profit and loss account on the date of first transmission.

Programme development
Development expenditure consisting of funds spent on projects prior to a final decision being made on whether a programme will be commissioned is included within stock and is fully provided against. Where development expenditure leads to the commissioning of a programme, such expenditure is transferred to programme cost and the provision is released.

Fixed assets
Fixed assets are stated at cost together with any incidental expense of acquisition, less depreciation.

Depreciation is provided on all tangible fixed assets on a straight line basis over the course of the assets estimated useful lives assuming nil residual values:

Leasehold improvements	–	10 years
Fixtures and fittings	–	5-10 years
Computer hardware and software	–	4-5 years
Technical equipment	–	5-10 years

1. ACCOUNTING POLICIES (continued)

Leases
Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The capital element of future obligations under the leases are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the period of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions
The company does not operate its own pension scheme. The company pays contributions into employees' own personal schemes at various rates up to a maximum of 13% of their gross salary. The contributions are charged to the profit and loss account as they become payable.

Deferred taxation
Deferred taxation is provided for using the liability method on all timing differences, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or the contracted rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at the balance sheet date or if appropriate, at the forward contract rate. Any recognised gain or loss is taken to the profit and loss account.

2. SEGMENTAL ANALYSIS

The group operates in two principal areas of activity : television broadcasting and the provision of technical and engineering services. The company operates solely in the United Kingdom. Loss on ordinary activities before tax and net assets are analysed as follows:

Area of activity

	Television broadcasting		*Technical and engineering services*		*Other*		*Total*	
	1999	*1998*	*1999*	*1998*	*1999*	*1998*	*1999*	*1998*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
TURNOVER								
Total sales	190,885	144,279	55,590	51,174	114	-	246,589	195,453
Inter segment sales	-	-	(55,510)	(51,019)	-	-	(55,510)	(51,019)
Sales to third parties	190,885	144,279	80	155	114	-	191,079	144,434
PROFIT/(LOSS)								
Segment profit / (loss)	(43,142)	(74,024)	27,879	24,306	36	-	(15,227)	(49,718)
Common costs	-	-	-	-	(892)	(816)	(892)	(816)
Operating profit / (loss)	(43,142)	(74,024)	27,879	24,306	(856)	(816)	(16,119)	(50,534)
Segment loss on ordinary activities before taxation:								
Common net interest payable							(24,992)	(27,518)
Group loss on ordinary activities							(41,111)	(78,052)
NET LIABILITIES:								
Net liabilities by segment	(256,579)	(197,120)	34,709	(17,079)	25	-	(221,845)	(214,199)
Common net assets							(119,995)	(92,225)
Minority interest							(597)	(188)
Total net liabilities							(342,437)	(306,612)

2. SEGMENTAL ANALYSIS (continued)

	1999	*1998*
	£000	*£000*
Common net assets/(liabilities) comprise:		
Intercompany balances	258,266	251,215
Other debtors	1,806	9,999
Investments	-	8,400
Cash at bank and in hand	27,583	-
Bank overdraft	-	(2,248)
Accruals	(52,754)	(36,587)
Loan stock and accrual interest	(354,896)	(323,004)
	(119,995)	(92,225)

3. OPERATING LOSS

(a) This is stated after charging:

		1999	*1998*
		£000	*£000*
Depreciation		3,733	4,972
Write down of asset		550	-
Auditors' remuneration	– audit services	30	27
	– non audit services	98	920
Operating leases	– buildings	730	720
	– other	22,164	21,846
Finance lease		12	13

(b) Reconciliation of operating loss to net cash outflow from operating activities:

	1999	*1998*
	£000	*£000*
Operating loss	(15,435)	(48,011)
Depreciation	3,733	4,972
Write down of asset	550	-
Amortisation of finance charges	82	61
Increase in debtors	(12,716)	(3,680)
Increase / (decrease) in creditors	6,749	(10,062)
Decrease / (increase) in stocks	2,186	(2,728)
Net cash outflow from operating activities	(14,851)	(59,448)

4. DIRECTORS' EMOLUMENTS

	1999	*1998*
	£000	*£000*
Emoluments	766	636
Company contributions paid to individuals' personal pension schemes	24	21
	790	657

The amounts in respect of the highest paid director, are as follows:

Emoluments	520	424

The emoluments of the highest paid director are paid to Brook Productions Limited, which is a related party.

5. STAFF COSTS

	1999	*1998*
	£000	*£000*
Wages and salaries	12,589	10,238
Social security costs	1,038	911
Other pension costs	628	604
	14,255	11,753

The average number of employees during the year was as follows:

	No.	*No.*
Sales & Marketing	107	104
Programming	36	37
Technical	1	18
Finance & Administration	76	69
	220	228

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	*1998*
	£000	*£000*
Bank loans and overdraft	9,572	6,797
Loan stock	16,266	21,955
	25,838	28,752

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

The taxation credit is made up as follows:

	1999	*1998*
	£000	*£000*
Consortium relief	5,695	21,726

There are tax losses carried forward, the amount of which are to be agreed with the Inland Revenue and may be subject to claims for consortium relief.

8. PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £3,870,462 (1998 – loss of £1,451,635).

9. TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £000	*Equipment, fixtures & fittings £000*	*Computer hardware & software £000*	*Total £000*
Cost or valuation:				
At 31 December 1998	1,782	1,708	13,149	16,639
Additions	245	55	552	852
At 31 December 1999	2,027	1,763	13,701	17,491
Depreciation:				
At 31 December 1998	407	430	5,410	6,247
Provided during the year	189	280	3,264	3,733
Asset write down	-	-	550	550
At 31 December 1999	596	710	9,224	10,530
Net book value:				
At 31 December 1999	1,431	1,053	4,477	6,961
At 31 December 1998	1,375	1,278	7,739	10,392

Items of computer software have been written down to zero net book value at year end, as they will be replaced during the next financial year.

Included in the amounts for equipment, furniture and fittings above are the following amounts relating to assets acquired under hire purchase contracts:

Group	*1999 £000*
Cost:	
At 31 December 1998	385
Additions	-
At 31 December 1999	385
Depreciation:	
At 31 December 1998	136
Depreciation provided during the year	88
At 31 December 1999	224
Net book value:	
At 31 December 1999	161
At 31 December 1998	249

10 INVESTMENTS

Group

	Associated undertaking 1999 £000
At 1 January 1999	(1,288)
Share of loss retained by associated undertaking	(683)
Advances made	1,800
At 31 December 1999	(171)

A subsidiary undertaking of the group holds 50% of the ordinary share capital of Sky 5 Text Limited which broadcasts the text service of Channel 5. This investment is accounted for as an associated undertaking, based on unaudited management accounts. In addition, a subsidiary undertaking of the group holds 20% of the ordinary share capital of Produxion.com Limited, which is accounted for as a trade investment.

Group

	Trade Investment 1999 £
At 1 January 1999	-
Additions	50
At 31 December 1999	50

Company

	Shares in subsidiary undertaking £000	*Loans to subsidiary undertaking £000*	*Total £000*
Cost:			
At 31 December 1998	74	662	736
Additions	-	-	-
At 31 December 1999	74	662	736

The company wholly owns the following subsidiary undertakings:

Name of company	*Nature of business*
Channel 5 Broadcasting Limited	Television broadcasting
Channel 5 Engineering Services Limited	Technical engineering services
Channel 5 Music Limited	Music sales
Channel 5 Text Limited	Holding company and support services
5 Direct Limited	Retail

11. STOCKS

		Group		Company
	1999	1998	1999	1998
	£000	£000	£000	£000
Commissioned programmes – work in progress	4,944	8,485	-	-
– completed	1,946	5,742	-	-
Acquired programmes	72,003	66,902	-	-
Video stock	50	-	-	-
	78,943	81,129	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Included within prepayments and accrued income is the cost of acquired programme rights of £88,378,000 (1998 - £79,296,000) for which the licence period has not commenced. The current portion of this prepayment is £27,035,000 (1998 - £24,625,000).

12. DEBTORS

		Group		Company
	1999	1998	1999	1998
	£000	£000	£000	£000
Trade debtors	18,500	16,790	-	-
Amounts owed by shareholders	5,559	8,658	-	8,658
Amounts owed by subsidiary undertakings	-	-	299,128	251,224
Amounts owed by undertakings in which the company has a participating interest	-	1,341	1,806	1,341
Prepayments and accrued income	90,457	81,226	-	-
Other debtors	1,316	-	51	-
Other taxes and social security costs	-	-	694	-
	115,832	108,015	301,679	261,223

Amounts falling due after more than one year included above:

	£000	£000
Prepayments and accrued income	61,343	54,671

Included within prepayments and accrued income is the cost of acquired programme rights for which the licence period has not commenced.

13. CURRENT ASSET INVESTMENTS

		Group		Company
	1999	1998	1999	1998
	£000	£000	£000	£000
Other investments	-	9,204	-	8,400

14. CREDITORS: amounts falling due within one year

		Group		Company
	1999	1998	1999	1998
	£000	£000	£000	£000
Loans (note 16)	18,000	-	-	-
Obligations under finance leases	96	109	-	-
Bank overdraft	-	-	-	2,248
Trade creditors	51,835	55,328	-	-
Other taxes and social security costs	5,396	745	-	-
Amounts owed to fellow subsidiary undertaking	-	-	41,859	8
Other creditors	101	57	-	-
Accruals	12,531	57,474	-	36,588
	87,959	113,713	41,859	38,844

15. CREDITORS: amounts falling due after more than one year

		Group		Company
	1999	1998	1999	1998
	£000	£000	£000	£000
Loans (note 16)	336,544	323,062	214,954	214,954
Obligations under finance leases	-	109	-	-
Trade creditors	81,530	69,478	-	-
Accruals	71,102	16,497	52,754	-
	489,176	409,146	267,708	214,954

16. LOANS

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Amounts falling due:				
In one year or less or on demand	18,000	-	-	-
Between one and two years	24,000	16,290	-	-
Between two and five years	98,000	65,160	-	-
In five years or more	214,954	242,104	214,954	214,954
	354,954	323,554	214,954	214,954
Less: unamortised finance costs	(410)	(492)	-	-
Less: loan repayments due within one year	(18,000)	-	-	-
	336,544	323,062	214,954	214,954

Details of loans not wholly repayable within 5 years are as follows:

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
LIBOR plus 2% variable rate redeemable loan stock repayable 1 July 2006	214,954	214,954	214,954	214,954
Variable interest rate £140m revolving credit facility, repayable in reducing instalments commencing 30 June 2000	-	108,600	-	-
	214,954	323,554	214,954	214,954

17. SHARE CAPITAL

Authorised:	1999 No.	1999 £	1998 No.	1998 £
Ordinary shares of 1p each	59,000	590	59,000	590
Deferred shares of 1p each	1,000	10	1,000	10
2% redeemable cumulative preference shares	40,000	400	40,000	400
	100,000	1,000	100,000	1,000

17. SHARE CAPITAL (continued)

Allotted, called up and fully paid:	*1999* *No.*	*1999* *£*	*1998* *No.*	*1998* *£*
Ordinary shares of 1p each – voting	794	8	794	8
Ordinary shares of 1p each – non-voting	3,206	32	3,206	32
Deferred shares of 1p each	246	3	246	3
2% redeemable cumulative preference shares	15,725	157	15,725	157
	19,971	200	19,971	200

On 18 March 1998, 536 ordinary shares, 32 deferred shares and 2,112 2% redeemable cumulative preference shares were issued for £1,000 each.

Preference shares
The 2% redeemable cumulative preference shares carry a dividend of 2% per annum payable on 31 December in each year and are redeemable at the option of the company providing that redemption does not result in the ITC revoking, varying or declining to renew the Licence for Channel 5 or one of the group to cease to be an Independent Producer as defined by the Broadcasting (Independent Productions) Order 1991.

The preference shares carry no voting rights at meetings and on the return of capital upon liquidation of the assets of the company, the preference shareholders have a right to receive 1p per share and accrued interest.

Deferred shares
The deferred shares do not entitle the holder to participate in the company profits. However, on the return of capital upon liquidation of the assets of the company, deferred shareholders are entitled to amounts paid up together with an amount of £1 per share after the return of capital to ordinary shareholders.

Deferred shares do not have any voting rights at meetings.

Non-voting ordinary shares
Non-voting ordinary shares rank pari passu interest as regards rights to income and capital. Deferred shareholders have the right to attend meetings but not to vote.

Analysis of changes in share capital during the year:

	1999 *£*	*1998* *£*
At 31 December 1998	200	173
Issue of share capital	-	27
At 31 December 1999	200	200
Equity shares	40	40
Non-equity shares		
– deferred shares	3	3
– 2% cumulative redeemable preference shares	157	157
	160	160
	200	200

18. RESERVES

Group

	Share premium £000	*Profit and loss account* £000	*Total* £000
At 1 January 1998	17,321	(270,103)	(252,782)
Loss for the year	-	(56,510)	(56,510)
Other movements : proceeds from issue of shares	2,680	-	2,680
At 31 December 1998	20,001	(326,613)	(306,612)
Loss for the year	-	(35,825)	(35,825)
At 31 December 1999	20,001	(362,438)	(342,437)

Company

	Share premium £000	*Profit and loss account* £000	*Total* £000
At 1 January 1999	17,321	(1,988)	15,333
Loss for the year	-	(1,452)	(1,452)
Other movements:			
Proceeds from issues of shares	2,680	-	2,680
At 31 December 1998	20,001	(3,440)	16,561
Profit for the year	-	3,870	3,870
At 31 December 1999	20,001	430	20,431

19. RECONCILIATION OF SHAREHOLDERS' FUNDS

	£000
At 1 January 1999	(306,612)
Loss for the year	(35,825)
At 31 December 1999	(342,437)

The shareholders' funds are fully attributable to equity interests.

20. RECONCILIATION OF NET CASH FLOW TO THE MOVEMENT IN NET DEBT

(a) Analysis of changes in net debt

	At 1 January 1999 £000	*Cash flow £000*	*Other £000*	*At 31 December 1999 £000*
Cash at bank and in hand	8,983	24,747	-	33,730
Loans due within one year	-	(18,000)	-	(18,000)
Loans due after more than one year	(323,062)	(13,482)	-	(336,544)
Finance leases	(218)	122	-	(96)
	(314,297)	(6,613)	-	(320,910)
Current asset investments	9,204	(9,204)	-	-
	(305,093)	(15,817)	-	(320,910)

(b) Reconciliation of net cash flow to movement in net debt

	1999 £000	*1998 £000*
Increase in cash	24,747	1,674
Cash used to repay capital element of finance leases	122	109
Cash inflow from increase in loans	(31,400)	(46,532)
Finance costs of new loans	(82)	553
Cash inflow from decrease in liquid resources	(9,204)	(13,820)
Other	-	(61)
MOVEMENT IN NET DEBT	(15,817)	(58,077)
NET DEBT AT 1 JANUARY	(305,093)	(247,016)
NET DEBT AT 31 DECEMBER	(320,910)	(305,093)

21. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Amounts due under finance leases and hire purchase contracts:

	1999 £000	*1998 £000*
Amounts payable:		
– Within one year	109	109
– In two to five years	-	109
	109	218
Less finance charges allocated to future periods	13	25
	96	193

21. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS (continued)

At 31 December 1999, the group had annual commitments under non cancellable operating leases as set out below:

	Land & Buildings 1999 £000	*Land & Buildings 1998 £000*	*Other 1999 £000*	*Other 1998 £000*
Operating leases which expire:				
In over 5 years	890	720	23,091	22,186

22. OTHER FINANCIAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £71,061,000 (1998 - £101,137,000) for the next financial year.

23. RELATED PARTY TRANSACTIONS

During the year the group entered into the following transactions, in the ordinary course of business, with other related parties:

	Interest payable to related party £000	*Sales to related party £000*	*Purchases from related party £000*	*Consortium relief from related party £000*	*Amounts owed to related party £000*	*Amounts owed from related party £000*
Pearson Television Limited						
1999	3,882	30	25,216	2,584	64,620	2,608
1998	5,272	-	26,172	9,855	69,334	3,918
United Television Investments Limited						
1999	4,689	-	4,256	3,111	78,699	3,166
1998	6,368	375	13,468	11,871	74,562	5,052
CLT - UFA SA						
1999	4,684	57	5,826	-	77,697	-
1998	6,362	332	3,634	-	72,838	347
National Transcommunications Limited						
1999	-	-	10,417	-	1,340	-
1998	-	-	13,163	-	1,311	-
Warburg Pincus Ventures, LP						
1999	2,911	-	-	-	48,217	-
1998	3,953	-	-	-	45,306	-
Sky 5 Text Limited						
1999	-	80	-	-	-	16
1998	-	245	-	-	-	78

23. RELATED PARTY TRANSACTIONS (continued)

Pearson Television Limited owns 19.90% of the voting shares in the company (23.98% economic interest).

United Television Investments Limited owns 19.90% of the voting shares in the company (29.00% economic interest).

CLT-UFA owns 31.74% of the voting shares in the company (29.00% economic interest).

Warburg Pincus Ventures, LP owns 28.46% of the voting shares in the company (18.02% economic interests).

The group has a 50% interest in Sky 5 Text Limited, and a 20% interest in Produxion.com Limited.

24. POST BALANCE SHEET EVENT

Subsequent to the year end Warburg Pincus Ventures, LP sold it's 28.46% stake in the voting shares of the company (effective 18.02% economic interest). The shares were wholly taken up by the existing Shareholders. The sale was completed on 15 February 2000.

This disposal will result in the bonus payments to the executive directors on the fourth, fifth and sixth anniversaries of their employment by the company based on the share valuation achieved.