

# Channel 5 Television Group Limited

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Registered No. 3012148

## **DIRECTORS**

G Dyke (Chairman)  
D Elstein  
D Harte  
C Hollick  
R Sautter  
D Shorthouse

## **SECRETARY**

J Gill

## **AUDITORS**

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

## **BANKERS**

Midland Bank plc  
69 Pall Mall  
London SW1 7EY

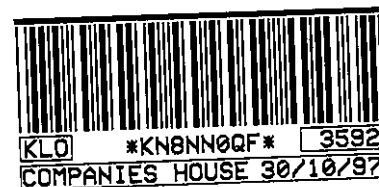
## **SOLICITORS**

Travers Smith Braithwaite  
10 Snow Hill  
London EC1A 2AL

## **REGISTERED OFFICE**

22 Long Acre  
London WC2E 9LY

 ERNST & YOUNG



# Channel 5 Television Group Limited

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £86,547,282 (1995 – £1,212,866). 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 critical actions over 1997 are to successfully launch the channel and to aggressively expand its reach so as to maximise its potential audience.

Key to the launch strategy is completion of the programme portfolio, building systems and processes and completion of our marketing campaign to encourage trials.

Improved reach is central to the success of the channel. Within Channel 5 Engineering Limited a large number of initiatives are being undertaken on behalf of Channel 5 Broadcasting Limited including tuning in of TVs and videos, retuning videos and satellite equipment and undertaking one off projects such as communal aerial installations.

### 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.

### DIRECTORS AND THEIR INTERESTS

The directors of the company for the year ended 31 December 1996 were as follows:

F Barlow	(resigned as Chairman 20 December 1996, resigned as director 21 February 1997)
G Dyke	(appointed Chairman 20 December 1996)
D Elstein	(appointed 27 September 1996)
D Harte	(appointed 20 September 1996)
C Hollick	
F Kayser	(resigned 15 September 1997)
D Shorthouse	
I Ritchie	(appointed 18 March 1996, resigned 30 April 1997)
R Sautter	(appointed 15 September 1997)

As at 31 December 1996, none of the directors had an interest in the share capital of the company.

# Channel 5 Television Group Limited


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## DIRECTORS' REPORT

### 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

## Channel 5 Television Group Limited

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### 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 company 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.

**REPORT OF THE AUDITORS**

to the members of Channel 5 Television Group Limited

We have audited the accounts on pages 6 to 22, which have been prepared under the historical cost convention and on the basis of 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 the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

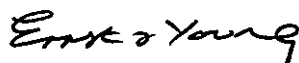
**Basis of opinion**

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 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 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 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 1996 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  
Chartered Accountants  
Registered Auditor  
London

17 SEP 1997

# Channel 5 Television Group Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

		<i>For the year ended 31 December 1996</i>	<i>11 month period ended 31 December 1995</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>TURNOVER</b>		—	—
Cost of sales		78,531	—
Gross loss		(78,531)	—
Administration expenses		(7,269)	(1,213)
<b>OPERATING LOSS</b>	3	(85,800)	(1,213)
Interest receivable		904	—
Interest payable		(1,651)	—
		(747)	—
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(86,547)	(1,213)
Tax on loss on ordinary activities	7	—	—
<b>LOSS FOR THE YEAR</b>		(86,547)	(1,213)

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the loss attributable to the shareholders of the company of £86,547,282 (1995 – £1,212,866) in the year ended 31 December 1996.

# Channel 5 Television Group Limited

## GROUP BALANCE SHEET at 31 December 1996

	Notes	1996 £000	1995 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	10,855	—
<b>CURRENT ASSETS</b>			
Stocks	11	10,266	—
Debtors	12	4,117	6
Investments	13	27,464	—
Cash at bank and in hand		—	16
		41,847	22
<b>CREDITORS: amounts falling due within one year</b>	14	43,141	300
<b>NET CURRENT ASSETS</b>		(1,294)	(278)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,561	(278)
<b>CREDITORS: amounts falling due after more than one year</b>	15	(80,000)	—
		(70,439)	(278)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	—	94
Share premium account	18	17,321	841
Profit and loss account	18	(87,760)	(1,213)
		(70,439)	(278)

Director



17 SEP 1997

# Channel 5 Television Group Limited

## BALANCE SHEET at 31 December 1996

	Notes	1996 £000	1995 £000
<b>FIXED ASSETS</b>			
Investments	10	—	—
<b>CURRENT ASSETS</b>			
Debtors	12	71,755	6
Investments	13	27,464	—
Cash at bank and in hand		22	16
		99,241	22
<b>CREDITORS: amounts falling due within one year</b>	14	4,331	300
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		94,910	(278)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		94,910	(278)
<b>CREDITORS: amounts falling due after more than one year</b>	15	(80,000)	—
		14,910	(278)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	—	94
Share premium account	18	17,321	841
Profit and loss account	18	(2,411)	(1,213)
		14,910	(278)

Director



17 SEP 1997



# Channel 5 Television Group Limited

## GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1996

	<i>Notes</i>	<i>1996 £000</i>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	3(b)	(64,192)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received		904
<b>TAXATION</b>		
Corporation tax paid (including advance corporation tax)		—
<b>TAX PAID</b>		—
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Payments to acquire tangible fixed assets		(11,019)
<b>ACQUISITIONS AND DISPOSALS</b>		
Payments to acquire of subsidiary undertakings	10	—
<b>NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		(74,307)
<b>MANAGEMENT OF LIQUID RESOURCES</b>		
Purchase of current asset investments		(27,464)
		(101,771)
<b>FINANCING</b>		
Issue of share capital	19	16,386
Issue of loan stock	16	80,000
Amounts paid in by shareholders awaiting allotment of shares		2,680
		99,066
<b>DECREASE IN CASH</b>	20	(2,705)

# Channel 5 Television Group Limited

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## NOTES TO THE ACCOUNTS at 31 December 1996

### 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.

The statement of cashflows has been prepared in accordance with FRS1 revised which has been adopted early.

#### *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.

#### *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.

#### *Acquired programme rights*

The full cost of acquired programme rights is recognised as an asset upon signature of the relevant contract. The asset is included within stock in the balance sheet. Any relevant programme creditors are included in creditors (within one year and 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.

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 1. ACCOUNTING POLICIES (continued)

#### *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	–	5-10 years
Technical equipment	–	5-10 years

#### *Leases*

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 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.

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 2. SEGMENTAL ANALYSIS

The group operates in two principal areas of activity that of television broadcasting and the provision technical and engineering services. The company operates solely in the United Kingdom.

The group had no turnover in either of the two segments it operates within.

Loss on ordinary activities before tax and net assets are analysed as follows:

#### Area of activity

	<i>Television broadcasting</i>	<i>Technical and engineering services</i>	<i>Total</i>
	<i>1996</i>	<i>1996</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Profit/(loss)			
Segment loss	(19,063)	(66,286)	(85,349)
Common costs	—	—	(451)
Operating loss	(19,063)	(66,286)	(85,800)
Segment loss on ordinary activities before taxation	(19,063)	(66,286)	
Common net interest payable			(747)
Group loss on ordinary activities			(86,547)
Net liabilities			
Net liabilities by segment	(19,063)	(66,286)	(85,349)
Holding company net assets			14,910
Total net liabilities			(70,439)

The group did not operate in either of these segments in 1995, therefore no comparatives are provided.

	<i>1996 £000</i>
Holding company net assets comprise:	
Intercompany	70,650
Other debtors	1,105
Investments	27,464
Cash at bank and in hand	22
Accruals	(4,331)
Loan stock	(80,000)
	<u>14,910</u>

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 3. OPERATING LOSS

(a) This is stated after charging:

	<i>For the year ended 31 December 1996 £000</i>	<i>11 month period ended 31 December 1995 £000</i>
Depreciation	164	—
Auditors' remuneration	20	8
	<u>          </u>	<u>          </u>

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

	<i>For the year ended 31 December 1996 £000</i>
Operating loss	(85,800)
Depreciation	164
Increase in debtors	(4,111)
Increase in creditors	35,821
Increase in stocks	(10,266)
	<u>(64,192)</u>

### 4. DIRECTORS' EMOLUMENTS

	<i>For the year ended 31 December 1996 £000</i>	<i>11 month period ended 31 December 1995 £000</i>
Fees	3	—
Other emoluments (including pension contributions)	448	—
	<u>451</u>	<u>          </u>

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 4. DIRECTORS' EMOLUMENTS (continued)

Directors' emoluments, excluding pension contributions, fell within the following ranges:

		1996 No.	1995 No.
£nil	– £5,000	5	9
£50,001	– £55,000	1	–
£120,001	– £125,000	1	–
£245,001	– £250,000	1	–

The emoluments, excluding pension contributions, of the highest paid director were £249,944 (1995 – £nil).

Neither G Dyke or F Barlow received any emoluments during the period in which they were Chairman.

### 5. STAFF COSTS

	<i>For the year ended 31 December 1996 £000</i>	<i>11 month period ended 1995 £000</i>
Wages and salaries	28,630	–
Social security costs	2,336	–
Other pension costs	276	–
	<u>31,242</u>	<u>–</u>

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

	1996 No.	1995 No.
Programmes	14	–
Technical	3,116	–
Sales	20	–
Administration	28	–
	<u>3,178</u>	<u>–</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>For the year ended 31 December 1996 £000</i>	<i>11 month period ended 31 December 1995 £000</i>
Loan stock	1,651	–

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no corporation tax charge for the year.

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. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The loss dealt with in the accounts of the parent undertaking was £1,198,709 (1995 – £1,212,866).

### 9. TANGIBLE FIXED ASSETS

*Group*

	<i>Leasehold improvements £000</i>	<i>Equipment fixtures and fittings £000</i>	<i>Computer hardware and software £000</i>	<i>Total £000</i>
Cost or valuation:				
Additions	1,290	2,965	6,764	11,019
At 31 December 1996	1,290	2,965	6,764	11,019
Depreciation:				
Provided during the year	32	32	100	164
At 31 December 1996	32	32	100	164
Net book value:				
At 31 December 1996	1,258	2,933	6,664	10,855
At 1 January 1996	-	-	-	-

### 10. INVESTMENTS

*Company*

	<i>1996 £000</i>
Cost:	
Additions	-
At 31 December 1996	-

The company wholly owns the following subsidiary undertakings:

<i>Name of company</i>	<i>Nature of business</i>
Channel 5 Broadcasting Limited	Television broadcasting
Channel 5 Engineering Services Limited	Technical engineering services
Channel 5 Music Limited	Non-trading

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 11. STOCKS

		<i>Group</i>		<i>Company</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Commissioned programmes – work in progress	3,293	–	–	–
– completed	205	–	–	–
Acquired programmes	6,768	–	–	–
	<u>10,266</u>	<u>–</u>	<u>–</u>	<u>–</u>

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

### 12. DEBTORS

		<i>Group</i>		<i>Company</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts owed by subsidiary undertakings	–	–	70,650	–
Prepayments and accrued income	1,291	–	–	–
Other debtors	2,826	6	1,105	6
	<u>4,117</u>	<u>6</u>	<u>71,755</u>	<u>6</u>

### 13. CURRENT ASSET INVESTMENTS

		<i>Group</i>		<i>Company</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other investments	27,464	–	27,464	–

### 14. CREDITORS: amounts falling due within one year

		<i>Group</i>		<i>Company</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdraft	2,689	–	–	–
Trade creditors	5,364	–	–	–
Other taxes and social security costs	2,526	–	–	–
Other creditors	4,331	–	4,331	–
Accruals	28,231	300	–	300
	<u>43,141</u>	<u>300</u>	<u>4,331</u>	<u>300</u>



# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

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

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Loans	80,000	—	80,000	—

### 16. LOANS AND OVERDRAFTS

#### Loans

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Not wholly repayable within five years	80,000	—	80,000	—

#### Loans and overdrafts

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Amounts falling due:				
In one year or less or on demand	2,689	—	2,689	—
Between one and two years	—	—	—	—
Between two and five years	—	—	—	—
In five years or more	80,000	—	80,000	—
	82,689	—	82,689	—

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

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
LIBOR plus 2% variable rate redeemable loan stock repayable 1 July 2006	80,000	—	80,000	—

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 17. SHARE CAPITAL

#### *Authorised*

	1996 No.	1996 £	1995 No.	1995 £
Ordinary shares of £1 each	–	–	150,000	150,000
Ordinary shares of 1p each	59,000	590	–	–
Deferred shares of 1p each	1,000	10	–	–
2% redeemable cumulative preference shares	40,000	400	–	–
	<u>100,000</u>	<u>1,000</u>	<u>150,000</u>	<u>150,000</u>

#### *Allotted, called up and fully paid:*

	1996 No.	1996 £	1995 No.	1995 £
Ordinary shares of £1 each	–	–	93,500	93,500
Ordinary shares of 1p each – voting	688	7	–	–
Ordinary shares of 1p each – non-voting	2,776	28	–	–
Deferred shares of 1p each	214	2	–	–
2% redeemable cumulative preference shares	13,613	136	–	–
	<u>17,291</u>	<u>173</u>	<u>93,500</u>	<u>93,500</u>

On 8 March 1996, the company's share capital was reorganised.

The authorised capital of 150,000 £1 ordinary shares was subdivided into 15,000,000 1p ordinary shares and 14,941,000 of these were redesignated deferred shares. Consequently the existing allotted ordinary capital of 93,500 £1 ordinary shares was subdivided into 9,350,000 1p ordinary shares and then 9,349,832 of these shares were redesignated deferred shares.

Authorised capital was increased by the creation of 40,000 1p 2% redeemable preference shares and 13,613 of these shares were allotted.

The company repurchased 9,349,832 allotted 1p deferred shares from shareholders at par value and subsequently cancelled 14,940,000 authorised but unallotted deferred shares.

The remaining allotted 1p ordinary shares were split into voting and non voting with 168 ordinary shares being redesignated non voting.

Finally, an additional 688 1p ordinary voting shares and 2,608 non-voting ordinary shares were issued.

#### *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.

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 17. SHARE CAPITAL (continued)

#### *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:

	1996 £	1995 £
At 1 January	93,500	—
Issue of share capital	171	93,500
Cancellation of deferred shares	(93,498)	—
At 31 December	173	93,500
	1996 £	1995 £
Equity shares	35	93,500
Non-equity shares		
– deferred shares	2	—
– 2% cumulative redeemable preference shares	136	—
	138	—
	173	93,500

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 18. RESERVES

#### *Group*

	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>
At 31 December 1995	841	(1,213)
Loss for the period	—	(86,547)
Other movements		
— proceeds from issue of shares	16,480	—
At 31 December 1996	<u>17,321</u>	<u>(87,760)</u>

#### *Company*

	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>
At 31 December 1995	841	(1,213)
Loss for the period	—	(1,198)
Proceeds from issue of shares	16,480	—
At 31 December 1996	<u>17,321</u>	<u>(2,411)</u>

### 19. RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>£000</i>
At 1 January 1996	(278)
Loss for the year	(86,547)
Proceeds from issue of shares	16,480
Cancellation of shares	(94)
	<u>(70,439)</u>

# Channel 5 Television Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1996

### 20. RECONCILIATION OF THE CHANGE IN NET DEBT

	<i>At 1 January</i>	<i>At 31 December</i>
	<i>1996</i>	<i>Cashflow</i>
	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	16	(16)
Overdrafts	—	(2,689)
Loans due after more than one year	—	(80,000)
	16	(82,705)
Current asset investments	—	27,464
	16	(55,241)
<i>Reconciliation of net cash flow to movement in net debt</i>		
	1996	
	£000	
Decrease in cash for the period	(2,705)	
Cash inflow from increase in debt	(80,000)	
Cash outflow from increase in liquid resources	27,464	
	(55,241)	

### 21. OTHER FINANCIAL COMMITMENTS

At 31 December 1996, the group had annual commitments under non cancellable operating leases as set out below:

<i>Group</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>1996</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
In over five years	720	11,195
	720	11,195
<i>Parent</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>1996</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
In over five years	—	9,265

The parent undertaking has provided a guarantee in respect of the subsidiary undertaking's obligations under the operating lease.

# Channel 5 Television Group Limited

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## NOTES TO THE ACCOUNTS at 31 December 1996

### 22. RELATED PARTY TRANSACTIONS

During the year, the group entered into transactions with various subsidiaries of Pearson Television Limited, a shareholder of the company.

A group company entered into a contract in the ordinary course of business to acquire programmes from Grundy International Limited to the value of US\$6,740,000, at normal market prices.

Another group company entered into a ten year arrangement in the ordinary course of business with Pearson Television Services Limited and Thames Television Limited. The arrangement is at normal market prices and has an annual value of £1,930,000, subject to annual adjustments.