

ALL3MEDIA Group Limited

Directors' report and financial statements

31 August 2005

Registered number 4823611



Company Information

Directors

Sir Robert Phillis (Chairman)

S R Morrison

J D Burns

D Liddiment

J C Pfeil

M N Black

A R Gibbons

Secretary

J Pfeil

Auditors

PricewaterhouseCoopers LLP

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London

WC2N 6RH

Registered office

87-91 Newman Street

London

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Registered number 4823611

CONTENTS

Directors' report	3-4
Statement of directors' responsibilities	5
Independent Auditor's report to the members of ALL3MEDIA Group Limited	6
Group profit and loss account	7
Statement of total recognised gains and losses	8
Reconciliation of movements in shareholders' funds	8
Group balance sheet	9
Company balance sheet	10
Group statement of cash flows	11
Notes	12-37

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2005.

Principal activity, review of the business and future developments

The principal activity of the group is the production and distribution of television programmes. The directors do not anticipate any changes in those activities over the coming year.

On 12 October 2004 the company purchased 100% of the share capital of the Company Television Limited group. Further consideration may be payable dependent on the future performance of the business.

On 21 June 2005 the company purchased a majority shareholding in the Mersey Television Limited group.

Results and dividends

The group profit for the year, after taxation and minority interests, amounted to £2,948,000 (2004: £908,000 loss).

The directors do not recommend the payment of a dividend for the year under review.

Political and charitable contributions

During the year the group made various charitable donations totalling £9,000 (2004: £5,000) and political donations to a non-EU party totalling £2,000 (2004: £nil).

Equal Opportunities

ALL3MEDIA Group believes in, wholeheartedly supports and consistently follows the principles of equal opportunities when recruiting and through an individual's employment. It opposes all forms of discrimination on the grounds of race, colour, nationality, ethnic or national origin, age, religion or philosophical belief, gender, marital status, sexual orientation, political views, disability or medical conditions. The Group does not operate differentials in salary or contractual terms based on any of these factors.

Employee involvement

There are a number of initiatives across the Group which encourage employee involvement for example, local and group level health and safety forums and development meetings. Employment legislation is communicated via legal updates and changes to Company policy are discussed with representatives from each Company prior to Company wide notification. The Company positively encourages open communication and employees are able to provide comments/suggestions via a number of channels. There is also a Company intranet which is used to disseminate information.

Directors and directors' interests

The directors who held office during the year, and their interests in the share capital of the company, are as follows:


	<u>At 31 August 2005</u> <u>"B" ordinary shares</u>	<u>At 31 August 2004</u> <u>"B" ordinary shares</u>
M Black	-	-
J Burns	178,718	178,718
A Gibbons	-	-
D Liddiment	39,715	39,715
S Morrison	178,718	178,718
J Pfeil	39,715	34,751
Sir R Phillis	19,858	19,858

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

During the year Ernst & Young LLC resigned as auditors of the group, and PricewaterhouseCoopers LLP have been appointed. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the annual general meeting.

By order of the Board


J C Pfeil
Secretary

87 - 91 Newman Street
London
W1T 3EY

Date: 21 December 2005

Statement of directors' responsibilities

Company law requires the directors 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 company for that year. 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 final 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of ALL3MEDIA Group Limited

We have audited the financial statements which comprise the group profit and loss account, the group balance sheet, the company balance sheet, the group cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 31 which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

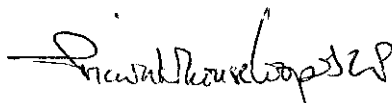
Basis of audit opinion

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 the group at 31 August 2005 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21 December 2005

Group profit and loss account

for the year ended 31 August 2005

	Note	Year ended 31 August 2005		14 months to 31 August 2004	
		£'000	£'000	£'000	£'000
Turnover (including share of joint ventures)					
- Continuing operations	2	143,772		99,673	
- Acquisitions		35,902		-	
			<u>179,674</u>		<u>99,673</u>
Less: share of turnover of joint ventures					
- Continuing operations			(1,321)		(1,464)
- Acquisitions			(2,598)		-
			<u>175,755</u>		<u>98,209</u>
Group turnover					
Cost of sales	3		(137,479)		(76,946)
			<u>38,276</u>		<u>21,263</u>
Gross profit					
Distribution costs	3		(424)		(336)
Administration expenses	3		(26,619)		(17,647)
Other operating income	3		667		154
			<u>11,900</u>		<u>3,434</u>
Group operating profit	4				
- Continuing operations		8,915		3,434	
- Acquisitions		2,985		-	
Share of operating results of joint ventures & associates	4		381		459
			<u>12,281</u>		<u>3,893</u>
Profit on ordinary activities before interest and taxation					
Other interest receivable and similar income	7		537		462
Interest payable and similar charges	8		(6,797)		(4,268)
			<u>6,021</u>		<u>87</u>
Profit on ordinary activities before taxation					
Taxation	9		(2,603)		(878)
			<u>3,418</u>		<u>(791)</u>
Profit/(loss) on ordinary activities after taxation					
Minority interests - equity			(470)		(117)
			<u>2,948</u>		<u>(908)</u>
Profit/(loss) for the financial year attributable to members of the parent company					
Retained loss brought forward			(908)		-
			<u>2,040</u>		<u>(908)</u>
Retained profit/(loss) carried forward					

The notes on pages 12 to 37 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 August 2005

	2005 £'000	2004 £'000
Profit/(loss) for the financial year	2,948	(908)
Exchange difference on retranslation of net assets of subsidiary undertakings	(34)	(102)
Exchange difference on loan	(30)	(55)
Total recognised gains/(losses) relating to the year	2,884	(1,065)

Reconciliation of movements in shareholders' funds

for the year ended 31 August 2005

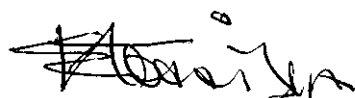
	2005 £'000	2004 £'000
Total recognised gains and losses	2,884	(1,065)
Other movements:		
New shares issued	45	1,842
Expenses of share issue written off to share premium account	-	(238)
Total movements during the year	2,929	539
Shareholders' funds at 1 September 2004	539	-
Shareholders' funds at 31 August 2005	3,468	539

Group balance sheet

At 31 August 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	11	93,220	44,270
Tangible assets	12	6,686	2,445
Interests in joint ventures			
- share of gross assets		1,779	816
- share of gross liabilities		(1,353)	(392)
		<hr/>	<hr/>
		426	424
Investments in associates	13	167	120
		<hr/>	<hr/>
		100,499	47,259
Current assets			
Stock	14	14,856	9,711
Debtors	15	39,403	27,236
Cash at bank and in hand	16	17,528	11,605
		<hr/>	<hr/>
		71,787	48,552
Creditors: amounts falling due within one year	17	(72,348)	(46,234)
		<hr/>	<hr/>
Net current (liabilities)/assets		(561)	2,318
		<hr/>	<hr/>
Total assets less current liabilities		99,938	49,577
Creditors: amounts falling due after more than one year	18	(94,662)	(48,350)
		<hr/>	<hr/>
Provisions for liabilities and charges	21	(1,105)	(373)
		<hr/>	<hr/>
Minority interests - equity		(703)	(315)
		<hr/>	<hr/>
Net assets		3,468	539
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	26	189	184
Share premium account	27	1,460	1,420
Profit and loss account	27	1,819	(1,065)
		<hr/>	<hr/>
Shareholders' funds - equity		3,468	539
		<hr/>	<hr/>

These financial statements were approved by the Board of directors on 21 December 2005 and signed on its behalf by:



S Morrison
Director



J C Pfeil
Director

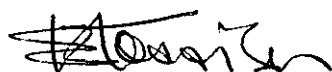
The notes on pages 12 to 37 form part of these financial statements.

Company balance sheet

at 31 August 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	13	1,822	1,822
Current assets			
Cash at bank and in hand		56	42
Creditors: amounts falling due within one year	17	(238)	(260)
Net current liabilities		(182)	(218)
Net assets		1,640	1,604
Capital and reserves			
Called up share capital	26	189	184
Share premium account	27	1,460	1,420
Profit and loss account	27	(9)	-
Shareholders' funds – equity		1,640	1,604

These financial statements were approved by the Board of directors on 21 December 2005 and signed on its behalf by:



S Morrison
Director



J C Pfeil
Director

The notes on pages 12 to 37 form part of these financial statements.

Group statement of cash flows
for the year ended 31 August 2005

	Notes	Year ended 31 August 2005 £'000	14 months ended 31 August 2004 £'000
Net cash inflow from operating activities	23	21,461	5,989
Dividends from joint ventures and associates			
Dividends from joint venture		223	-
Dividends from associate		19	-
		242	-
Returns on investments and servicing of finance			
Interest received		599	537
Interest paid		(2,649)	(1,554)
Issue costs of new long term loans		(1,642)	(3,793)
Interest element of finance lease rental payments		(9)	(12)
		(3,701)	(4,822)
Taxation			
UK Corporation tax paid		(1,280)	(251)
Overseas tax paid		(832)	(813)
		(2,112)	(1,064)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(407)	-
Payments to acquire tangible fixed assets		(1,191)	(885)
Receipts from sales of tangible fixed assets		73	120
Payments to acquire investments		(68)	(105)
		(1,593)	(870)
Acquisitions and disposals			
Purchase of subsidiary undertakings	25	(55,350)	(52,423)
Net cash acquired with subsidiary undertakings	25	10,059	10,414
		(45,291)	(42,009)
Net cash outflow before financing		(30,994)	(42,776)
Financing			
Issue of ordinary share capital		45	1,842
Redemption of preference shares		-	(61)
New long-term loans		54,260	26,076
Repayment of loans		(15,341)	(2,543)
Issue of loan notes		537	26,610
Repayments of capital element of finance leases and hire purchase contracts		(103)	(77)
		39,398	51,847
Increase in cash	24	8,404	9,071

Notes to the financial statements

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the company's and group's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards as defined in section 256 of Companies Act 1985.

Basis of consolidation

The group financial statements consolidate the financial statements of ALL3MEDIA Group Limited and all its subsidiary undertakings drawn up to 31 August 2005. No profit and loss account is presented for ALL3MEDIA Group Limited as permitted by section 230 of the Companies Act 1985.

The Company Television Limited group of companies has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of the Company Television Limited group for the period from its acquisition on 11 October 2004. The purchase consideration has been allocated to the assets and liabilities on the basis of their fair value at the date of acquisition.

The Mersey Television Limited group of companies has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of the Mersey Television Limited group for the period from its acquisition on 21 June 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of their fair value at the date of acquisition.

Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

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 financial statements, associates are accounted for using the equity method.

Certain prior year comparatives have been re-classified to make them comparable with current year presentation.

Turnover

Turnover and attributable profits are recognised in accordance with the Group's right to receive revenue based on the contracted position. The principal revenue recognition bases for commissioned TV programmes are:

- Series drama productions - revenue and attributable profit is recognised on an episodic basis
- Factual/factual entertainment and one-off single broadcaster drama programmes - turnover and attributable profit is recognised in proportion to the stage of completion of the production at the relevant date unless the contractual position with the broadcaster does not entitle the group to recognise revenue until the final product is available for delivery.

Notes (continued)

1. Accounting policies (continued)

Provision is made for any overspends/losses as soon as identified. Any underspends are recognised once the programme has been completed and all related costs have been identified.

For finished programmes and formats distributed by the group, revenue is recognised once contracted and invoiced provided that the product is available for delivery.

Revenues on programmes distributed by third parties and other ancillary revenues are recognised once the Group has been notified of sums due to it.

On films produced for primary theatrical release revenues and attributable production profit is recognised once the film is completed and available for delivery to the distributor.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment on an annual basis and if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investment in television rights

Investments in television rights are amortised in the profit and loss account over their anticipated useful economic life. They are reviewed for impairment on an annual basis and adjusted if events or changes in circumstances indicate that their carrying value may not be recoverable.

Tangible fixed assets and depreciation

Fixed assets are initially stated at cost.

Depreciation is calculated to write off the cost of tangible fixed assets evenly over their estimated useful lives at the following annual rates:

Freehold property	-	Over 50 years
Long leasehold property	-	Over the life of the lease
Short leasehold property	-	Over the life of the lease
Furniture, fixtures, plant and equipment	-	20 - 50%
Motor vehicles	-	20 - 25%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be in line with the remaining estimated useful life.

Fixed asset investments

Fixed asset investments are initially stated at cost. The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred production expenditure

Pre-contract production expenditure is written off in the year in which it is incurred except where it is related to a clearly defined contract, the outcome of which has been assessed with reasonable certainty as to its success and commercial viability. In such cases the expenditure is deferred to the extent that its recovery can be reasonably regarded as assured and the cost is written off against revenue over the period of the contract. The costs of abortive productions are taken directly to the profit and loss account.

Notes (continued)

1. Accounting policies (continued)

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion.

Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than 12 months are included within current liabilities. For all other borrowings, accrued finance charges and issue costs are included within creditors due in more than one year.

Leases

Assets held under finance leases (excluding sale and leaseback transactions), 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 are depreciated over their useful lives or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rental payments are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Sale and leaseback transactions relate to master negatives for films as a result of the company entering into sale and leaseback transactions for such films. Part of the cash received is put on deposit, and this cash together with any accrued interest thereon should be sufficient to meet the lease capital and interest payment. Cash received on inception of the transaction over and above that required for future rental payments is recognised as profit immediately. Such transactions are shown as a contingent liability in the notes to the accounts.

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

Deferred consideration

Deferred and contingent consideration on acquisitions is accrued on a discounted basis as part of the cost of acquisition to the extent that it is reasonably considered by the directors to be payable.

Post-retirement benefits

The Group operates several defined contribution group personal pension schemes in the UK. The contributions to these schemes are charged to the profit and loss account in the period in which the contributions are payable.

Notes (continued)

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- provision is made for deferred tax that would arise on remittance of retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Translation of foreign currencies

Assets and liabilities of overseas subsidiary undertakings are translated to Sterling at the rates of exchange ruling at the end of each accounting period and exchange variances on the opening net investment in those subsidiary undertakings are dealt with through reserves. The results of overseas subsidiary undertakings are translated into Sterling at the average rate of exchange ruling during the accounting period and variances compared with exchange rates at the balance sheet date are dealt with through reserves.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes (continued)

2. Turnover

All turnover arises from a single continuing class of business, the sale and distribution of television and film programmes and related ancillary revenues.

An analysis of turnover by geographical market is given below (excluding turnover of joint ventures and associates):

	2005			2004	
	Continuing £'000	Acquisitions £'000	Total £'000	Continuing £'000	Total £'000
United Kingdom	84,663	32,614	117,277	62,026	62,026
Other Europe	33,179	13	33,192	25,255	25,255
United States of America	9,407	677	10,084	1,213	1,213
Rest of world	15,202	-	15,202	9,715	9,715
	<u>142,451</u>	<u>33,304</u>	<u>175,755</u>	<u>98,209</u>	<u>98,209</u>

Segmental analysis of joint ventures

	2005 £'000	2004 £'000
United Kingdom	2,598	-
Other Europe	1,321	1,464
	<u>3,919</u>	<u>1,464</u>

3. Cost of sales and operating expenses

	2005			2004	
	Continuing £'000	Acquisitions £'000	Total £'000	Continuing £'000	Total £'000
Cost of sales	108,772	28,707	137,479	76,946	76,946
Gross profit	33,679	4,597	38,276	21,263	21,263
Distribution costs	424	-	424	336	336
Administrative expenses	24,458	2,161	26,619	17,647	17,647
Other operating income	118	549	667	154	154
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>

Notes (continued)

4. Operating profit

	2005 £'000	2004 £'000
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	245	159
Non-audit	538	124
Amortisation of goodwill	3,311	2,181
Amortisation of acquired television rights	54	-
Depreciation of owned tangible fixed assets	1,369	936
Depreciation of tangible fixed assets held under finance leases	81	107
Profit on sale of fixed assets	(64)	(8)
Operating lease charges		
- land and buildings	1,916	1,530
- equipment	295	242
- motor vehicles	253	199
Transitional costs	651	500
Transactional costs	370	406

An analysis of the share of the operating profit of joint ventures and associates is as follows:

	Continuing £'000	2005 Acquisitions £'000	Total £'000	2004 Acquisitions £'000	Total £'000
Joint ventures	321	2	323	432	432
Associates	58	-	58	27	27
	<u>379</u>	<u>2</u>	<u>381</u>	<u>459</u>	<u>459</u>

Fees payable to audit firms

	PwC 2005 £'000	E&Y 2005 £'000	Total 2005 £'000	E&Y 2004 £'000	Total 2004 £'000
Statutory audit fees	188	48	236	143	143
Non-audit fees	124	414	538	124	124
	<u>312</u>	<u>462</u>	<u>774</u>	<u>267</u>	<u>267</u>

In addition to the above £9,000 (2004: £16,000) was paid to other auditors in respect of audit fees, bringing the statutory audit fee for the group to £245,000 (2004: £159,000).

The audit fee of the Company is paid by ALL3MEDIA Limited, a subsidiary of the Company.

In the year, PricewaterhouseCoopers LLP (PwC) replaced Ernst & Young LLC as auditors of the company and its UK subsidiaries.

Notes (continued)

5. Remuneration of directors

	2005 £'000	2004 £'000
Directors' emoluments :		
Aggregate emoluments	942	868
Company pension contributions to personal pension schemes	43	44
	<hr/> 985	<hr/> 912

The total emoluments, including pension contributions of £16,875 (2004: £15,469), of the highest paid director were £342,029 (2004: £330,469).

Payments were made to a personal pension scheme for 3 directors (2004: 3) in the year.

Included in the above directors' emoluments is £59,000 (2004: £51,000) payable to David Liddiment Limited for the services of David Liddiment, who is a director of that company.

In addition to the above directors' emoluments, during the year the group paid £60,000 (2004: £60,000) to Bridgepoint Capital Limited (a related party) as fees for the services of two directors who served during the year.

6. Staff numbers and costs

The average monthly number of persons employed by the group (including directors remunerated by the company) during the year, analysed by category, was as follows:

	2005	2004
Production	308	251
Administration	216	137
Sales	9	8
	<hr/> 533	<hr/> 396

The aggregate payroll costs of these persons were as follows:

	2005 £'000	2004 £'000
Wages and salaries	17,352	10,138
Social security costs	2,687	1,635
Other pension costs	603	408
	<hr/> 20,642	<hr/> 12,181

Notes *(continued)***7. Other interest receivable and similar income**

	2005 £'000	2004 £'000
Bank interest receivable	518	446
Other interest receivable	15	12
	<hr/> 533	<hr/> 458
Share of joint ventures' interest	4	4
	<hr/> 537	<hr/> 462

8. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and overdrafts	2,634	1,634
Interest payable on loan notes	2,432	2,019
Amortisation of deferred financing fees	815	557
Finance charges payable under finance leases and hire purchase contracts	11	12
Other interest payable	905	46
	<hr/> 6,797	<hr/> 4,268

Notes (continued)

9. Taxation

(i) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £'000	2004 £'000
Current tax		
<i>UK corporation tax</i>		
Current tax on income for the year	1,796	95
Double taxation relief	-	(95)
Adjustments in respect of prior years	(83)	-
	<hr/> 1,713	<hr/> -
<i>Foreign tax</i>		
Current tax on income for the year	819	701
	<hr/> 2,532	<hr/> 701
Group current tax		
	111	148
	<hr/> 2,643	<hr/> 849
Total current tax charge for the year (see note (ii))		
	(40)	29
	<hr/> 2,603	<hr/> 878
Tax on profit on ordinary activities		

(ii) Factors affecting the tax charge for the current year

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below.

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	6,021	87
Current tax at 30%	1,806	26
<i>Effects of:</i>		
Expenses not deductible for tax purposes (including goodwill)	1,246	821
Depreciation for the year in excess of capital allowances	16	35
Losses arising in the year not relieviable against current tax	-	(25)
Higher rates of corporation tax on overseas profits	71	16
Short term timing differences	(374)	-
Utilisation of tax losses	(34)	-
Adjustments in respect of prior years	(83)	-
Other	(5)	(24)
	<hr/> 2,643	<hr/> 849
Current tax charge for the year		

Notes (continued)

Taxation (continued)

(iii) Deferred taxation

The deferred taxation included in the balance sheet is as follows:

	2005 £'000	2004 £'000
Included in debtors	1,056	-
Included in provisions for liabilities and charges	(945)	(213)
	<hr/> 111	<hr/> (213)
Depreciation in advance of capital allowances	450	-
Pension costs	606	-
Provision on sale of fixed asset	(420)	-
Accelerated capital allowances	(466)	(213)
Short term timing differences	(59)	-
	<hr/> 111	<hr/> (213)
Provision for deferred taxation		

Net deferred taxation not recognised in the accounts is as follows:

	2005 £'000	2004 £'000
Depreciation in advance of capital allowances	-	284
Unutilised UK trading losses	643	704
Unutilised trading losses in foreign subsidiaries	-	450
	<hr/> 643	<hr/> 1,438
Unrecognised deferred tax asset		

No deferred tax asset relating to the above has been recognised on the basis that the recognition criteria set out in FRS 19 have not been met.

10. Loss attributable to the parent company

The loss dealt with in the financial statements of the parent company is £9,000 (2004: £100 loss).

Notes *(continued)*

11. Intangible fixed assets

	Goodwill £'000	TV rights £'000	Total £'000
Cost:			
At 1 September 2004	46,451	-	46,451
Increase during the year	-	270	270
Acquisition of subsidiary undertakings	51,091	-	51,091
Additional consideration payable on prior year acquisitions	557	-	556
Fair value adjustments to prior year acquisitions	313	-	313
	<hr/>	<hr/>	<hr/>
At 31 August 2005	98,412	270	98,682
	<hr/>	<hr/>	<hr/>
Amortisation:			
At 1 September 2004	2,181	-	2,181
Provided during the year	3,227	54	3,281
	<hr/>	<hr/>	<hr/>
At 31 August 2005	5,408	54	5,664
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 August 2005	93,004	216	93,220
	<hr/>	<hr/>	<hr/>
At 31 August 2004	44,270	-	44,270
	<hr/>	<hr/>	<hr/>

Particulars of additions are given in note 25.

Notes (continued)

12. Tangible fixed assets

	Freehold property £'000	Long leasehold £'000	Short leasehold £'000	Furniture, fixtures, plant & equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 September 2004	-	79	1,271	5,481	88	6,919
Additions	73	59	45	1,097	32	1,306
Acquisition of subsidiary undertakings	3,318	-	-	970	80	4,368
Exchange adjustment	-	1	-	51	3	55
Disposals	-	(6)	-	(254)	(93)	(353)
At 31 August 2005	3,391	133	1,316	7,345	110	12,295
Depreciation						
At 1 September 2004	-	19	732	3,635	88	4,474
Charge for year	16	28	246	1,146	14	1,450
Exchange adjustment	-	1	-	32	3	36
Disposals	-	(6)	-	(252)	(93)	(351)
At 31 August 2005	16	42	978	4,561	12	5,609
Net book value						
At 31 August 2005	3,375	91	338	2,784	98	6,686
At 31 August 2004	-	60	539	1,846	-	2,445

Included in Freehold Property are land and buildings held for resale with a book value of £1,400,000. It is anticipated that these will be sold within the next financial year.

Included in the total net book value is £120,000 (2004: £217,000) in respect of fixed assets held under finance leases.

Notes *(continued)*

13. Fixed asset investments

Group

	2005	2004
	£'000	£'000
Joint ventures	426	424
Associates	167	120
	593	544

Group – joint ventures

	£'000
At 1 September 2004	424
Share of profit retained by joint ventures	2
As at 31 August 2005	426

Group – associated undertakings

	Goodwill	Share of net assets	Total
	£'000	£'000	£'000
At 31 August 2004	67	53	120
Acquisition of associated undertakings	75	-	75
Profits retained for the year	-	49	49
Amortisation for the year	(84)	-	(84)
Exchange adjustment	4	3	7
At 31 August 2005	62	105	167

The details of the principal fixed asset investments that in the directors' opinion principally affect the figures shown in the financial statements are set out below. These are all unlisted.

Name of company	Country of incorporation	Equity holding	Nature of business
Company Stormdog Limited	England & Wales	50%	Television production
Big Strike Films Limited	England & Wales	50%	Television production
Medical Multi Media Productions BV	Netherlands	50%	Television production
Satellite Media Group Limited	New Zealand	30%	Television production

Notes *(continued)***Fixed asset investments** *(continued)***Company**

**Shares in
subsidiary
companies
£'000**

At 1 September 2004 and 31 August 2005

1,822

The details of the principal subsidiaries that in the directors' opinion principally affect the figures shown in the financial statements are set out below. Shares held by an intermediate holding company are indicated with an asterisk (*). All companies are included in the consolidated financial statements and the full information will be annexed to the company's next annual return.

Name of company	Country of incorporation	Equity holding	Nature of business
ALL3MEDIA Limited	England & Wales	100%	Sub-holding company
North One Television Limited	England & Wales	*100%	Television production and distribution
ALL3MEDIA International Limited	England & Wales	*100%	Distribution
ALL3MEDIA (Overseas) Limited	England & Wales	*100%	Distribution
Assembly Film and TV Limited	England & Wales	*100%	Television production and distribution
Cactus TV Limited	England & Wales	*100%	Television production and distribution
Bentley Productions Limited	England & Wales	*100%	Television production and distribution
Lion Television Limited	England & Wales	*100%	Television production and distribution
Company Television Limited	England & Wales	*100%	Television production and distribution
Wrap Acquisitions Limited	England & Wales	*91%	Sub-holding company
Mersey Television Group Limited	England & Wales	*91%	Television production and distribution
Mersey Television Company Limited	England & Wales	*91%	Television production and distribution
Conker Media Limited	England & Wales	*91%	Television production and distribution
Grange Hill Productions Limited	England & Wales	*91%	Television production and distribution
Hollyoaks Productions Limited	England & Wales	*91%	Television production and distribution
Tulip Holdings BV	Netherlands	*100%	Holding company
IDTV Media Group BV	Netherlands	*100%	Television production and distribution
South Pacific Pictures Investments Limited	New Zealand	*59.7%	Television production and distribution
South Pacific Pictures Limited	New Zealand	*59.7%	Television production and distribution
South Pacific Pictures Productions Limited	New Zealand	*59.7%	Television production and distribution
Lion Television Inc.	USA	*100%	Television production and distribution

Notes *(continued)***14. Stock**

	2005 £'000	2004 £'000
Work in progress	14,856	9,711

15. Debtors

	2005 £'000	2004 £'000
Due within one year		
Trade debtors	20,130	16,785
Amounts owed by associates and joint ventures	383	-
Other debtors	1,444	1,753
Corporation tax	-	34
Overseas tax	730	554
Deferred tax	1,056	-
Prepayments and accrued income	15,660	8,110
	<u>39,403</u>	<u>27,236</u>

Amounts falling due after more than one year included above are:

	2005 £'000	2004 £'000
Deferred tax	54	-

Included in deferred tax is £606,000 relating to acquisitions made during the year.

16. Cash at bank and in hand

Included in cash at bank is £6,079,000 (2004: £6,029,000) held in designated segregated production bank accounts for television companies that have commissioned programmes on their behalf. These funds are under the effective management and control of the group under the terms of the contracts with the television companies.

Notes *(continued)*

17. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans (note 19)	10,372	3,455	-	-
Loan notes (note 19)	246	-	-	-
Bank overdrafts	-	2,514	-	-
Obligations under finance leases and hire purchase contracts (note 20)	80	84	-	-
Trade creditors	8,812	5,372	-	22
Amount due to subsidiary undertaking	-	-	238	238
Corporation tax	1,161	-	-	-
Other taxes and social security	4,547	2,153	-	-
Other creditors	2,580	5,035	-	-
Accruals and deferred income	45,615	28,245	-	-
	73,413	46,858	238	260
Less: deferred financial fees	(1,065)	(624)	-	-
	72,348	46,234	238	260

18. Creditors: amounts falling due after more than one year

	Group	
	2005	2004
	£'000	£'000
Bank loans (note 19)	61,576	20,575
Loan notes (note 19)	33,352	28,629
Obligations under finance leases and hire purchase contracts (note 20)	22	94
Other creditors	3,000	1,427
	97,950	50,725
Less: deferred financial fees	(3,288)	(2,375)
	94,662	48,350

Notes (continued)

19. Loans

	2005 £'000	2004 £'000
Amounts falling due:		
In one year or less, or on demand	10,618	3,455
In more than one year but not more than two years	9,111	5,080
In more than two years but not more than five years	70,526	15,495
	<hr/>	<hr/>
	90,255	24,030
 In more than five years	 15,291	 28,629
	<hr/>	<hr/>
	105,546	52,659
	<hr/>	<hr/>
Details of loans not wholly repayable within five years are as follows:		
Secured loan repayable on 31 August 2011*	15,000	-
8% discounted unsecured subordinated loan notes repayable on 29 August 2010	-	28,629
7.5% guaranteed unsecured loan notes repayable on 31 December 2010	127	-
10% unsecured loan notes repayable on 31 December 2010	164	-
	<hr/>	<hr/>
	15,291	28,629
	<hr/>	<hr/>

* - the rate of interest payable on the loan is 2.75% above LIBOR.

As part of the acquisition arrangements the shares and assets of the group have been charged to the Royal Bank of Scotland plc who provided the bank loans.

20. Obligations under leases and hire purchase contracts

	2005 £'000	2004 £'000
The maturity of obligations under finance leases and hire purchase contracts is as follows:		
Amounts payable:		
Within one year	81	86
In two to five years	22	92
	<hr/>	<hr/>
	103	178
	<hr/>	<hr/>

Notes (continued)

Obligations under leases and hire purchase contracts (continued)

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Operating leases which expire:				
Within one year	282	-	45	41
In two to five years	1,171	1,501	492	343
In over five years	556	354	1	32
	<u>2,009</u>	<u>1,855</u>	<u>538</u>	<u>416</u>

21. Provisions for liabilities and charges

	Leasehold dilapidations £'000	Deferred tax £'000	Total £'000
At beginning of year	(160)	(213)	(373)
Acquisition of subsidiary undertakings (see below)	-	(420)	(420)
Provided during the year	-	(312)	(312)
	<u> </u>	<u> </u>	<u> </u>
At end of year	(160)	(945)	(1,105)

Leasehold dilapidations

A provision is recognised for expected dilapidation costs on a leasehold property in the group.

Included in the deferred tax on acquisition of subsidiary undertakings is an amount relating to the anticipated taxation payable on the sale of the fixed asset held for resale at the year end (see note 12).

22. Derivatives and other financial instruments

The Group has entered into various interest rate hedging arrangements with Royal Bank of Scotland plc which have the effect of fixing the interest rate payable on elements of bank debt for periods up to 31 August 2008.

Notes *(continued)***23. Reconciliation of operating profit to net cash flow from operating activities**

	2005	2004
	£'000	£'000
Operating profit	11,900	3,434
Depreciation charge	1,450	1,042
Amortisation charges	3,365	2,181
Profit on sale of fixed assets	(64)	(8)
Increase in stocks	(4,531)	(9,711)
Increase in debtors	(12,163)	(28,106)
Increase in creditors	21,504	37,157
	<hr/>	<hr/>
Net cash inflow from operating activities	21,461	5,989
	<hr/>	<hr/>

24. Reconciliation of net cash flow to movement in net debt

	2005	2004
	£'000	£'000
Increase in cash in the year	8,404	9,071
Cash inflow from increase in loans	(54,797)	(52,686)
Loans & finance leases acquired with subsidiaries	(12,688)	(599)
Repayment of loans	17,066	2,543
Repayment of capital element of finance leases	103	77
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(41,912)	(41,594)
Exchange differences	(2)	73
New finance leases	(28)	(206)
Other non-cash movements – interest rolled up into long term loan	(2,432)	(2,019)
	<hr/>	<hr/>
Movement in net debt	(44,374)	(43,746)
Net debt at beginning of the year	(43,746)	-
	<hr/>	<hr/>
Net debt at end of the year	(88,120)	(43,746)
	<hr/>	<hr/>

Notes *(continued)*

Reconciliation of net cash flow to movement in net debt *(continued)*

Analysis of net debt

	1 September 2004 £'000	Cash flow £'000	Non-cash items £'000	Exchange movements £'000	At 31 August 2005 £'000
Cash at bank and in hand	11,605	5,890	-	33	17,528
Bank overdrafts	(2,514)	2,514	-	-	-
	<u>9,091</u>	<u>8,404</u>	<u>-</u>	<u>33</u>	<u>17,528</u>
Loans due in less than 1 year	(3,455)	(7,151)	-	(11)	(10,617)
Loans due in more than 1 year	(49,204)	(43,268)	(2,432)	(24)	(94,928)
Finance leases	(178)	103	(28)	-	(103)
	<u>(43,746)</u>	<u>(41,912)</u>	<u>(2,460)</u>	<u>(2)</u>	<u>(88,120)</u>

Notes (continued)

25. Corporate acquisitions

i) On 11th October 2004, the Group acquired 100% of the Company Television Group.

The following table sets out the book values of the identifiable net assets acquired together with the provisional fair value to the Group:

	Book value £'000	Provisional fair value adjustments £'000		Provisional fair value £'000
Tangible fixed assets	6			6
Investment in joint ventures	2			2
Stock	3,005	(807) (a)		2,198
Debtors	1,313	878 (a)		2,191
Cash	5,476			5,476
Current liabilities	(6,816)	74 (a)		(6,742)
Net assets acquired	2,986	145		3,131
Provisional goodwill				6,383
				9,514
Discharged by:				
Consideration paid				7,501
Deferred consideration *				1,887
Costs associated with the acquisition				126
				9,514

* - The deferred consideration is payable in future periods and has been discounted at a rate of 10% per annum. The gross value is £2,500,000.

Adjustments:

(a) – adjustment required to align accounting policies with those of the group

The Company Television Limited group recorded a profit after tax of £1,332,000 for the post-acquisition period to 31 August 2005.

Company Television Limited's results for the 8 months to 31 August 2004 and the period to 11 October 2004 are as follows:

	1 Sept to 11 Oct 2004 £'000	8 months to 31 August 2004 £'000
Turnover	2,738	13,054
Operating profit	140	959
Profit before tax	140	985
Taxation	(46)	(302)
Profit after tax	94	683

There were no recognised gains or losses in the period to 11 October 2004 or the 8 months to 31 August 2004 other than the profit for those periods.

Notes (continued)

Corporate acquisitions (continued)

ii) On 21st June 2005 the Group acquired a majority shareholding in the Mersey Television Limited group.

The following table sets out the book values of the identifiable net assets acquired together with the provisional fair value to the Group:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair value £'000
Tangible fixed assets	4,360		4,360
Debtors	3,212		3,212
Cash	4,583		4,583
Current liabilities	(10,924)		(10,924)
Deferred tax	-	(420) (a)	(420)
Net assets acquired	1,231	(420)	811
Provisional goodwill			44,708
			45,519
Discharged by:			
Consideration paid			45,055
Costs associated with the acquisition			464
			45,519

Adjustments:

(a) – anticipated deferred tax payable on fixed asset held for disposal on acquisition date

The Mersey Television Limited group recorded a profit after tax of £713,000 for the post-acquisition period to 31 August 2005.

Mersey Television Limited's results for the year to 31 October 2004 and the period to 21 June 2005 are as follows:

	1 Nov 2004 to 21 June 2005 £'000	Year to 31 October 2004 £'000
Turnover	18,200	34,552
Operating profit	714	6,592
(Loss)/profit before tax	(233)	5,598
Taxation	(509)	(2,274)
(Loss)/profit after tax	(742)	3,324

There were no recognised gains or losses in the period to 21 June 2005 other than the profit for that period.

Notes (continued)

Corporate acquisitions (continued)

iii) Adjustments to prior year acquisition fair values

Additional goodwill of £313,000 has arisen during the year following an adjustment to the fair value of the assets acquired on the acquisition of the Chrysalis Television Group on 29 August 2003.

26. Share Capital

Authorised

	2005	2004
	£'000	£'000
'A' Ordinary shares of £0.10 each	140	140
'B' Ordinary shares of £0.10 each	50	50
'C' Ordinary shares of £0.10 each	10	10
	<u>200</u>	<u>200</u>

Allotted, called up and fully paid

	2005		2004	
	Number	£'000	Number	£'000
'A' Ordinary shares of £0.10 each	1,390	139	1,390	139
'B' Ordinary shares of £0.10 each	457	46	452	45
'C' Ordinary shares of £0.10 each	40	4	-	-
		<u>189</u>		<u>184</u>

During the year, 4,964 'B' ordinary shares of £0.10, with an aggregate nominal value of £496, were issued fully paid for cash of £4,964.

Also during the year, 39,910 'C' ordinary shares of £1.00, with an aggregate nominal value of £3,991, were issued fully paid for cash of £39,910.

All classes of share rank pari passu with respect to dividends.

"A" and "B" shares bear 1 vote each, but voting rights in "B" shares are contingent on employment with the company. "C" shares have no voting rights or notification rights.

All classes of share rank pari passu in the event of a winding up.

Notes *(continued)*

27. Reconciliation of shareholders' funds and movement on reserves

Group	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 September 2004	184	1,420	(1,065)	539
Issue of share capital	5	40	-	45
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	(34)	(34)
Exchange difference on loan	-	-	(30)	(30)
Retained profit for the year	-	-	2,948	2,948
	189	1,460	1,819	3,468

Company	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 September 2004	184	1,420	-	1,604
Issue of share capital	5	40	-	45
Retained loss for the year	-	-	(9)	(9)
	189	1,460	(9)	1,640

28. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £91,000 for the group (2004: £nil) and £nil for the company (2004: £nil).

Notes (continued)

29. Contingent liabilities

On 29 August 2003 the group acquired the Chrysalis Television Group from Chrysalis Group plc. As part of the acquisition arrangements the shares and assets of the group were charged to the Royal Bank of Scotland plc who provided bank finance for the transaction.

As part of the sale and purchase agreement between the group and Chrysalis Group plc certain elements of the consideration were deferred. The group provided a composite guarantee and debenture in favour of Chrysalis Group plc in respect of the deferred consideration. This ranks second to the security provided to the Royal Bank of Scotland plc in respect of the acquisition finance.

Further deferred consideration may be payable in respect of the acquisition of Lion Television Limited. The amounts are dependent on the future financial performance of the business and the amount of the liability, if any, is not yet determinable. An interim payment may be payable in 2007 based on the financial performance of the business over the previous two years, and a final payment may be made in 2009 based on the businesses financial performance in 2008 and 2009. Provision is made for any such liabilities when they meet the recognition criteria under relevant accounting standards.

Further deferred consideration may be payable in respect of the acquisition of the Company Television Limited group. The amounts are dependent on the future financial performance of the business and the amount of the liability, if any, is not yet determinable. An interim payment may be payable in 2007 based on the financial performance of the business over the previous two years, and a final payment may be made in 2009 based on the businesses financial performance in 2008 and 2009. Provision has been made for a £2.5m liability which is bank guaranteed.

The group has entered into certain sale and leaseback transactions for television programme rights. Amounts are held in deposit accounts as a result of these transactions and comprise monies to provide for the discharge of future leasing liabilities. The contingent liability would only crystallise upon the failure of the bank holding the deposit. The amounts involved are as follows:

	2005 £'000	2004 £'000
Amounts held on deposit	38,173	23,554
Less: loans outstanding	(38,173)	(23,554)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
The maturity of the above amounts is as follows:		
Less than one year	1,831	947
Two to five years	10,193	5,362
Over five years	26,149	17,245
	<hr/>	<hr/>
	38,173	23,554
	<hr/>	<hr/>

Notes (continued)

30. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 August 2005, are as follows:

Related party	Sales to related party £'000	Purchases from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
Bridgepoint Capital Limited	-	80	-	-
Company Stormdog Limited	403	-	377	-
Endeavour Productions	-	99	-	-

Bridgepoint Capital Ltd

See note 31

Company Stormdog Limited

The group has a 50% interest in Company Stormdog Limited

Endeavour Productions

For the services of a director of a subsidiary company

The company has taken advantage of the exemption under FRS 8 "Related Party Disclosures" from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.

31. Ultimate controlling party

The investment is controlled by Bridgepoint Capital Limited on behalf of funds under its management.