All3Media Group Limited
(formerly Newincco 267 Limited)

Directors' report and financial statements

31 August 2004
Registered number 4823611

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Company Information

Directors
Sir R Phillis (Chairman)
S Morrison
J Burns
D Liddiment
J Pfeil
M Black
A Gibbons

Secretary
J Pfeil

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers
Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Solicitors
Travers Smith Braithwaite
10 Snow Hill
London
EC1A 2AL

Registered office
87-91 Newman Street
London
W1T 3EY

Registered number 4823611

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Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 August 2004. This represented the first period of trading for the group following the acquisition of the Chrysalis Television business on 29 August 2003. The company was incorporated on 7 July 2003.

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 17 June 2004 the company purchased 100% of the share capital of Lion Television Limited. Further consideration may be payable dependent on the future performance of the business.

Results and dividends

The group loss for the period, after taxation and minority interests, amounted to £908,000.

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

Change of name

On 8 December 2003 the company changed its name to All3Media Group Limited.

Events since the balance sheet date

On 12 October 2004 the Group purchased 100% of the share capital of Company TV Limited, a UK based drama production company. Further consideration may be payable.

Political and charitable contributions

During the period the group made various charitable donations totalling £4,871.

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 wherever appropriate.

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 period, and their interests in the share capital of the company, are as follows:

		At 31 August 2004 "B" ordinary shares
S Morrison	(Appointed 7th July 2003)	178,718
J Burns	(Appointed 7th July 2003)	178,718
D Liddiment	(Appointed 7th July 2003)	39,715
J Pfeil	(Appointed 25th August 2003)	34,751
M Black	(Appointed 29th August 2003)	-
A Gibbons	(Appointed 2nd February 2004)	-
Sir R Phillis	(Appointed 5th March 2004)	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.

By order of the Board

JC Pfeil

J C Pfeil
Secretary

87 – 91 Newman Street
London
W1T 3EY

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 group's financial statements for the period ended 31 August 2004 which comprise the group profit and loss account, statement of total recognised gains and losses, group balance sheet, company balance sheet, group statement of cashflows and the related notes 1 to 30. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group 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 with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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 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 the group and company's affairs as at 31 August 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP — Ernst & Young LLP
Registered Auditor
London

22 December 2004

Group profit and loss account

for the period ended 31 August 2004

	Note	2004 £'000
Turnover	2	96,468
Cost of sales		(74,817)
Gross profit		21,651
Distribution costs		(333)
Administration expenses		(14,493)
Other operating income		154
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		6,979
Depreciation		(1,059)
Earnings before interest, taxation and amortisation (EBITA)		5,920
Amortisation of goodwill		(2,181)
Operating profit	3	3,739
Share of operating results of associated undertakings		27
Profit on ordinary activities before interest and taxation		3,766
Other interest receivable and similar income	6	457
Interest payable and similar charges	7	(4,279)
Loss on ordinary activities before taxation		(56)
Taxation	8	(859)
Loss on ordinary activities after taxation		(915)
Minority interests - equity		7
Loss for the financial period attributable to members of the parent company		(908)
Retained loss carried forward		(908)

Amounts relating to turnover and operating profit in the current year derive from acquisitions.

The notes on pages 12 to 32 form part of these financial statements.

Statement of total recognised gains and losses

for the period ended 31 August 2004

	2004 £'000
Loss for the financial period	(908)
Exchange difference on retranslation of net assets of subsidiary undertakings	(102)
Exchange difference on loan	(55)
Total recognised losses relating to the period	(1,065)

Reconciliation of movements in shareholders' funds

for the period ended 31 August 2004

	2004 £'000
Total recognised gains and losses	(1,065)
Other movements:	
New shares issued	1,842
Expenses of share issue written off to share premium account	(238)
Total movements during the period	539
Shareholders' funds at 7 July 2003	-
Shareholders' funds at 31 August 2004	539

Group balance sheet

At 31 August 2004

	Note	2004 £'000
Fixed assets		
Intangible assets	10	44,270
Tangible assets	11	2,505
Investments in associates	12	120
		46,895
Current assets		
Stock	13	1,262
Debtors	14	26,794
Cash at bank and in hand	15	35,186
		63,242
Creditors: amounts falling due within one year	16	(38,256)
Net current assets		24,986
Total assets less current liabilities		71,881
Creditors: amounts falling due after more than one year	17	(70,957)
Provisions for liabilities and charges	20	(213)
Minority interests - equity		(172)
Net assets		539
Capital and reserves		
Called up share capital	25	184
Share premium account	26	1,420
Profit and loss account	26	(1,065)
Shareholders' funds – equity		539

These financial statements were approved by the Board of directors on 22 December 2004 and signed on its behalf by:

S Morrison
Director

J C Pfeil
Director

The notes on pages 12 to 32 form part of these financial statements.

Company balance sheet

at 31 August 2004

	Note	2004 £'000
Fixed assets		
Investments	12	1,822
Current assets		
Cash at bank and in hand		42
Creditors: amounts falling due within one year	16	(260)
Net current liabilities		(218)
Net assets		1,604
Capital and reserves		
Called up share capital	25	184
Share premium account	26	1,420
Profit and loss account	26	-
Shareholders' funds – equity		1,604

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S Morrison
Director

J C Pfeil
Director

The notes on pages 12 to 32 form part of these financial statements.

Group statement of cash flows

for the period ended 31 August 2004

	Notes	2004 £'000
Net cash inflow from operating activities	22	5,968
Returns on investments and servicing of finance		
Interest received		537
Interest paid		(1,554)
Interest element of finance lease rental payments		(12)
		(1,029)
Taxation		
UK Corporation tax paid		(251)
Overseas tax paid		(813)
		(1,064)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets		(885)
Receipts from sales of tangible fixed assets		120
Payments to acquire investments		(105)
		(870)
Acquisitions and disposals		
Purchase of subsidiary undertakings	24	(56,216)
Net cash acquired with subsidiary undertakings	24	34,696
		(21,520)
Net cash outflow before financing		(18,515)
Financing		
Issue of ordinary share capital		1,842
Redemption of preference shares		(61)
New long-term loans		26,076
Repayment of long-term loans		(2,543)
Issue of loan notes		26,610
Repayments of capital element of finance leases and hire purchase contracts		(77)
Sale and leaseback repayments		(680)
		51,167
Increase in cash	23	**32,652**

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 2004. No profit and loss account is presented for All3Media Group Limited as permitted by section 230 of the Companies Act 1985.

The Chrysalis Television 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 Chrysalis Television Group for the twelve month period from its acquisition on 29 August 2003. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

The Lion Television Limited group of companies has also 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 Lion Television Limited group for the period from its acquisition on 17 June 2004. The purchase consideration has been allocated to the assets and liabilities on the basis of 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.

Turnover

Turnover comprises the invoiced value of goods supplied by the company exclusive of VAT. Turnover and attributable profits are recognised on contracts which are incomplete at the end of the year in the proportion of costs incurred to date compared to estimated ultimate costs after making provision for any anticipated losses.

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 in the proportion that revenue bears to the estimated ultimate revenue after making provision for any anticipated shortfall.

Accounting policies (continued)

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:

Long leasehold property	-	20%
Short leasehold property	-	over the life of the lease
Furniture, fixtures, plant and equipment	-	20 - 100%
Motor vehicles	-	20 – 26%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

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 period 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.

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.

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. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. 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.

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

Accounting policies (continued)

Post-retirement benefits

The Group operates a defined contribution personal pension scheme in the UK. The contributions to this scheme are charged to the profit and loss account in the period in which the contributions are payable.

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.

Notes *(continued)*

2. Turnover

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

An analysis of turnover by geographical market is given below:

	2004 **£'000**
United Kingdom	62,026
Europe	23,514
United States of America	1,213
Rest of world	9,715
	96,468

3. Operating profit

	2004 **£'000**
This is stated after charging/(crediting):	
Auditors' remuneration:	
Audit	159
Non-audit	124
Amortisation of intangible fixed assets	2,181
Depreciation of owned tangible fixed assets	952
Depreciation of tangible fixed assets held under finance leases	107
Profit on sale of fixed assets	(8)
Operating lease charges	
– land and buildings	1,530
- equipment	242
- motor vehicles	199
Transitional costs	906

In addition to the amount noted above, an additional £627,000 has been paid to the Group's auditors during the period in respect of non-audit fees that have been deferred and will be released to the profit and loss account over the length of the Group's loans (see notes 16 & 17).

Notes *(continued)*

4. Remuneration of directors

	2004 £'000
Directors' emoluments :	
Aggregate emoluments	868
Company pension contributions to personal pension schemes	44
	912

The total emoluments, including pension contributions of £15,469, of the highest paid director were £330,469.

Included in the above directors' emoluments is £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 period the group paid £60,000 to Bridgepoint Capital Limited (a related party) as fees for the services of two directors who served during the period.

5. 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:

	2004
Production	251
Administration	137
Sales	8
	396

The aggregate payroll costs of these persons were as follows:

	2004 £'000
Wages and salaries	10,138
Social security costs	1,635
Other pension costs	408
	12,181

Notes *(continued)*

6. Other interest receivable and similar income

	2004 £'000
Bank interest receivable	445
Other interest receivable	12
	457

7. Interest payable and similar charges

	2004 £'000
Bank loans and overdrafts	1,645
Interest payable on loan notes	2,019
Amortisation of deferred financing fees	557
Finance charges payable under finance leases and hire purchase contracts	12
Other interest payable	46
	4,279

8. Taxation

(i) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2004 £'000
Current tax	
UK corporation tax	
Current tax on income for the period	95
Double taxation relief	(95)
	-
Foreign tax	
Current tax on income for the period	830
Total current tax charge for the period (see note (ii))	**830**
Deferred tax	**29**
Tax on loss on ordinary activities	**859**

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

The tax charge for the year is lower than the standard rate of corporation tax in the UK at 30%. The differences are explained below.

	2004 £'000
Loss on ordinary activities before tax	(56)
Current tax at 30%	(17)
Effects of:	
Expenses not deductible for tax purposes (including goodwill)	821
Capital allowances for the period in excess of depreciation	35
Losses arising in the year not relievable against current tax	(25)
Higher rates of corporation tax on overseas profits	16
Current tax charge for the period	830

(iii) Deferred taxation

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

	2004 £'000
Depreciation in advance of capital allowances	284
Unutilised UK trading losses	704
Unutilised trading losses in foreign subsidiaries	450
Unrecognised deferred tax asset	1,438

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

9. Loss attributable to the parent company

The loss dealt with in the financial statements of the parent company is £100.

Notes *(continued)*

10. Intangible fixed assets

	Goodwill £'000
Cost:	
At 7 July 2003	-
Acquisition of subsidiary undertakings	46,451
At 31 August 2004	46,451
Amortisation:	
At 7 July 2003	-
Provided during the year	2,181
At 31 August 2004	2,181
Net book value:	
At 31 August 2004	44,270

Particulars of additions are given in note 24.

Notes *(continued)*

11. Tangible fixed assets

	Long leasehold £'000	Short leasehold £'000	Furniture, fixtures, plant & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 7 July 2003	-	-	-	-	-
Additions	42	-	1,024	-	1,066
Acquisition of subsidiary undertakings	91	1,271	4,991	151	6,504
Exchange adjustment	1	-	2	-	3
Disposals	(18)	-	(497)	(63)	(578)
At 31 August 2004	116	1,271	5,520	88	6,995
Depreciation					
At 7 July 2003	-	-	-	-	-
Charge for year	19	219	817	4	1,059
Acquisition of subsidiary undertakings	26	513	3,242	121	3,902
Exchange adjustment	(1)		(3)	(1)	(5)
Disposals	(17)	-	(413)	(36)	(466)
At 31 August 2004	27	732	3,643	88	4,490
Net book value					
At 31 August 2004	89	539	1,877	-	2,505

Included in the total net book value is £217,491 in respect of fixed assets held under finance leases.

12. Fixed asset investments

<u>Group – associated undertakings</u>

	Goodwill £'000	Share of net assets £'000	Total £'000
Acquisition of associated undertakings	82	26	108
Profits retained for the year	-	27	27
Amortisation for the year	(15)	-	(15)
At 31 August 2004	67	53	120

The fixed asset investment is unlisted and consists of a 50% share in Satellite Media Limited.

Company

	Shares in subsidiary companies £'000
At 7 July 2003	-
Additions	1,822
At 31 August 2004	1,822

Details of the principal subsidiary companies in which the company holds 20% or more of the nominal value of any class of share capital are as follows. Shares held by an intermediate holding company are indicated with an asterisk (*):

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
North One Television Midlands Limited	England & Wales	*100%	Television production and distribution
Lion Television Limited	England & Wales	*100%	Television production and distribution
Tulip Holdings BV	Netherlands	*100%	Holding company
IDTV Media Group BV	Netherlands	*100%	Television production and distribution
Sandalwood Holdings Limited	New Zealand	*100%	Holding/Investment company
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)*

13. Stock

	2004 £'000
Work in progress	1,262

14. Debtors

	2004 £'000
Due within one year	
Trade debtors	16,483
Other debtors	1,770
Corporation tax	34
Overseas tax	407
Prepayments and accrued income	8,100
	26,794

15. Cash at bank and in hand

Cash at bank and in hand includes a total of £23,554,000 which is not available for general company purposes. It is held in trust accounts securing other creditors of £23,554,000 under terms of agreements for the financial restructuring of certain of the Company's television rights. The sum is repayable over terms of up to 13 years: £947,000 within one year; £1,117,000 within 1-2 years; £4,245,000 within 2-5 years and £17,245,000 over 5 years.

Also included in cash at bank is £6,029,000 held in designated 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 but under the terms of the contracts with the television companies, all amounts are repayable in the event of the termination of a programme.

Notes *(continued)*

16. Creditors: amounts falling due within one year

	Group 2004 £'000	Company 2004 £'000
Bank loans (note 18)	3,455	-
Bank overdrafts	2,514	-
Obligations under finance leases and hire purchase contracts (note 19)	84	-
Trade creditors	5,039	22
Amount due to subsidiary undertaking	-	238
Other taxes and social security	2,112	-
Other creditors	6,065	-
Accruals and deferred income	19,611	-
	38,880	260
Less: deferred financial fees	(624)	-
	38,256	260

£947,000 is included in other creditors which is secured against trust accounts as described in note 15.

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

	Group 2004 £'000
Bank loans (note 18)	20,575
Loan notes (note 18)	28,629
Obligations under finance leases and hire purchase contracts (note 19)	94
Other creditors	24,034
	73,332
Less: deferred financial fees	(2,375)
	70,957

£22,607,000 is included in other creditors which is secured against trust accounts as described in note 15.

Notes *(continued)*

18. Loans

	2004 £'000
Amounts falling due:	
In one year or less, or on demand	3,455
In more than one year but not more than two years	5,080
In more than two years but not more than five years	15,495
	24,030
In more than five years	28,629
	52,659
Details of loans not wholly repayable within five years are as follows:	
8% discounted unsecured subordinated loan notes repayable on 29 August 2010	28,629

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

19. Obligations under leases and hire purchase contracts

	2004 £'000
The maturity of obligations under finance leases and hire purchase contracts is as follows:	
Amounts payable:	
Within one year	94
In two to five years	100
Less: finance charges allocated to future periods	(16)
	178

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

	Land and buildings 2004 £'000	Other 2004 £'000
Operating leases which expire:		
Within one year	-	41
In two to five years	1,501	343
In over five years	354	32
	1,855	416

20. Provisions for liabilities and charges

	Deferred tax 2004 £'000
At 7 July 2003	-
Acquisition of subsidiary undertaking	(184)
Provided during the period	(29)
At 31 August 2004	(213)

21. 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 2005 and 2006.

Notes *(continued)*

22. Reconciliation of operating profit to net cash flow from operating activities

	2004 £'000
Reconciliation of operating profit to net cash flow from operating activities	
Operating profit	3,739
Depreciation charge	1,059
Amortisation charges	2,181
Profit on sale of fixed assets	(8)
Increase in stocks	(1,262)
Increase in debtors	(27,810)
Increase in creditors	28,069
Net cash inflow from operating activities	5,968

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

	2004 £'000
Increase in cash in the period	32,652
Cash inflow from increase in loans	(52,686)
Loans & finance leases acquired with subsidiaries	(599)
Repayment of loans	2,543
Repayment of capital element of finance leases	77
Change in net debt resulting from cash flows	(18,013)
Exchange differences	73
New finance leases	(206)
Other non-cash movements	(2,019)
Movement in net debt	(20,165)
Net debt at 31 August 2004	(20,165)

Analysis of net debt

	7 July 2003 £'000	Cash flow £'000	Non-cash items £'000	Exchange movements £'000	At 31 August 2004 £'000
Cash at bank and in hand	-	35,166	-	20	35,186
Bank overdrafts	-	(2,514)	-	-	(2,514)
	-	32,652	-	20	32,672
Loans due in less than 1 year	-	(3,455)	-	-	(3,455)
Loans due in more than 1 year	-	(47,238)	(2,019)	53	(49,204)
Finance leases	-	28	(206)	-	(178)
	-	(18,013)	(2,225)	73	(20,165)

Notes *(continued)*

24. Corporate acquisitions

i) On 29th August 2003, the Group acquired 100% of the Chrysalis Television Group, a division of Chrysalis Group plc.

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	2,308			2,308
Investments	108			108
Current assets (excluding cash)	27,694			27,694
Cash	29,902			29,902
Current liabilities	(28,871)	(100)	(a)	(28,971)
Sale & leaseback obligations	(22,150)			(22,150)
Minority interests	(179)			(179)
Net assets acquired	8,812	(100)		8,712
Provisional goodwill				42,257
				50,969
Discharged by:				
Consideration paid				46,608
Deferred consideration				4,000
Costs associated with the acquisition				361
				50,969

Adjustments:

(a) To provide for dilapidations due on a leasehold building

In the consolidated financial statements of Chrysalis Group plc for the year to 31 August 2003 the TV division disclosed turnover of £86,995,000 and profit before tax of £6,629,000. Information concerning operating profit, tax charges and profit after tax are not available.

ii) On 17th June 2004 the Group acquired 100% of Lion Television Limited.

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	293			293
Current assets (excluding cash)	2,877			2.877
Cash	4,794			4,794
Current liabilities	(4,195)	(20)	(a)	(4,215)
Sale & leaseback obligations	(2,085)			(2,085)
Net assets acquired	1,684	(20)		1,664
Provisional goodwill				4,194
				5,878
Discharged by:				
Consideration paid				5,330
Deferred consideration – loan notes				424
Costs associated with the acquisition				124
				5,878

Adjustments:

(a) To provide for legal costs

The Lion Television Limited group recorded a profit after tax of £185,000 for the post-acquisition period to 31 August 2004.

Lion Television Limited's results for the year to 31 December 2003 and the period to 17 June 2004 are as follows:

	Period to 17 June 2004 £'000	**Year to 31 December 2003 £'000**
Turnover	6,450	21,241
Operating Profit	16	92
Profit before tax	19	108
Taxation	-	(47)
Profit after tax	19	61

Notes *(continued)*

25. Share Capital

Authorised

	2004 £'000
'A' Ordinary shares of £0.10 each	140
'B' Ordinary shares of £0.10 each	50
'C' Ordinary shares of £0.10 each	10
	200

Allotted, called up and fully paid

	2004 Thousands	2004 £'000
'A' Ordinary shares of £0.10 each	1,390	139
'B' Ordinary shares of £0.10 each	452	45
		184

During the period the authorised share capital was increased by £200,000 by the creation of 1,400,0000 'A' ordinary shares of £0.10 each, 500,000 'B' ordinary shares of £0.10 each and 100,000 'C' ordinary shares of £0.10 each.

During the period, 1,390,029 'A' ordinary shares of £0.10 each, with an aggregate nominal value of £139,003, were issued fully paid for cash of £1,390,029.

Also during the period 451,760 'B' ordinary shares of £0.10, with an aggregate nominal value of £45,176, were issued fully paid for cash of £451,760.

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)*

26. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £'000	**Share premium account £'000**	**Profit and loss account £'000**	**Total Share-holders' funds £'000**
Issue of share capital.	184	1,658	-	1,842
Share issue costs	-	(238)	-	(238)
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	(102)	(102)
Exchange difference on loan	-	-	(55)	(55)
Retained loss for the year	-	-	(908)	(908)
At 31 August 2004	184	1,420	(1,065)	539

Company

	Share capital £'000	**Share premium account £'000**	**Profit and loss account £'000**	**Total Share-holders' funds £'000**
Issue of share capital.	184	1,658	-	1,842
Share issue costs	-	(238)	-	(238)
Retained loss for the year	-	-	-	-
At 31 August 2004	184	1,420	-	1,604

27. Pension Scheme

The Group operates a defined contribution personal pension scheme in the UK. The assets of the scheme are held separately from those of the group in an independently administered fund.

28. Post balance sheet events

On 12 October 2004 the Group purchased 100% of the share capital of Company TV Limited, a UK based drama production company, for a consideration of £7,154,000 including deferred consideration. Further consideration may be payable.

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 will be made for any such liabilities when they meet the recognition criteria under relevant accounting standards.

30. Ultimate controlling party

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