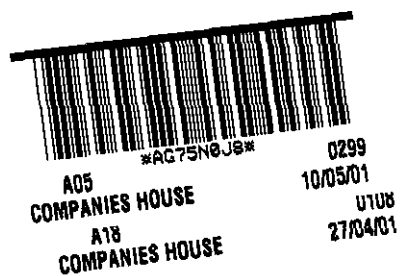




The Television Corporation plc

1162501



Report and Accounts 2000

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DIRECTORS, OFFICERS AND ADVISERS

Directors

Terry Bate *Non-executive Chairman*
Lord Chalfont *Non-executive Deputy Chairman*
Chris Rowlands
Jeffery Foulser
Stephen Callen
Tom Gutteridge
Sir Jocelyn Stevens *Non-executive*
Lady Katherine Innes Ker *Non-executive*

Secretary and Registered Office

Peter Baldwin
30 Sackville Street, London W1S 3DY

Auditors

BDO Stoy Hayward
8 Baker Street, London W1U 3LL

Bankers

Barclays Bank plc
8/9 Hanover Square, London WC1A 4ZW

Solicitors

Withers
16 Old Bailey, London EC4M 7EG

Stockbrokers

Deutsche Bank
1 Great Winchester Street, London EC2N 2DB

Registrars

Computershare Services PLC
PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH

Company Registered Number

1162501

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 30 Sackville Street, London, W1S 3DY, on Tuesday 1 May 2001 at 10.00am to transact the following business:

Ordinary resolutions

- 1 To consider, approve and adopt the report of the directors and the audited accounts for the year ended 31 December 2000.
- 2 To declare the final dividend.
- 3 To re-elect as a director C Rowlands who retires by rotation under the recommendation of the Combined Code of Corporate Governance and is eligible for re-appointment.
- 4 To re-elect as a director Lord Chalfont who, being 81, retires as an over-age director under the provisions of the Articles of Association and is eligible for re-appointment.
- 5 To re-appoint T Gutteridge who was appointed since the last Annual General Meeting.
- 6 To re-appoint as auditors BDO Stoy Hayward for the ensuing year and to authorise the directors to agree their remuneration.

Special resolution

- 7 That pursuant to Section 95 companies Act 1985, Section 89(1) of the Act shall not apply to the extent of 1,312,911 Ordinary shares of 5 pence each and the directors may allot, grant options or otherwise dispose of such shares to such persons and on such terms and in such manner as they see fit from the period from the passing of the resolution until the date of the General Meeting of the Company to be held in 2002.

By order of the Board
P A C Baldwin, CBE
Secretary

4 April 2001

30 Sackville Street
London W1S 3DY

Notes

- 1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll to vote in his stead. A proxy need not be a member of the Company. Completion and return of the proxy by a member entitled to vote does not preclude his subsequent attendance at the meeting.
- 2 Copies of the contracts of service between the directors and the Company will be available at the registered office of the Company on any weekday prior to the meeting (Saturdays and Public holidays excepted) during the normal business hours and at the place of the Annual General Meeting for the period of fifteen minutes prior to and during the meeting itself.

CHAIRMAN'S STATEMENT

Overview

I am delighted to report a strong set of results for the year to 31 December 2000. The Group is now well on course to achieve its strategic aim of becoming a major international content producer and brand developer. 67% of trading profit is now derived from this source (1999 – 52%), much from content in which we control significant world-wide rights.

The highlights of the year for the group were:

- Turnover up 37% to £43.95 million (1999 – £32.03 million)
- Record operating profit before goodwill up 35% to £5.89 million (1999 – £4.36 million)
- Earnings per share up 48% to 13.5 pence
- Recommended final dividend per share up 7% to 3.2 pence
- Completed the major acquisition of Mentorn, one of the UK's leading independent producers
- Renewal and extension of many important existing contracts (*Gillette World Sport*, *BBC Robot Wars*, *Live and Dangerous*)
- Major new projects
 - Three year Visions outside broadcast contract with Sky, covering 300 plus Premiership matches
 - Major programming and merchandising contract with Viacom for US versions of *Robot Wars*
- Record year for programme production with output of over 3,500 hours
- Completed acquisition of VTV, the specialist sports producer
- Agreed acquisition of OSP, world-wide controllers of Class 1 Powerboat Racing

Results

Total turnover increased by 37% to £43.95 million (1999 – £32.03 million). Operating profit before goodwill increased by 35% to £5.89 million (1999 – £4.36 million). Within this, turnover from pre-existing parts of the Group increased by 8% to £35.58 and Group operating profit was £4.28 million (1999 – £4.36 million). The underlying trend for the strategically important Sunset + Vine and Visions was much stronger. In Molinare, as the result of the continuing impact of the previously announced long-term contracts expiring in transmission, we had budgeted for lower profits; its achieved profits were further reduced as a result of a lower level of activity in the last quarter.

Acquisitions

During the year we made three acquisitions which greatly enhance our ability to generate content:

Mentorn Group ('Mentorn')

In October 2000 we acquired the remaining 50% of Mentorn, allowing its integration into the Group. We have returned the company to profitability and restructured the business to allow existing management to concentrate on creating programming and developing new formats. The net result of this has been a highly successful year with many new and repeat commissions and, importantly, the building of a pipeline of development projects. A significant achievement from the efforts made in this area is the announcement today of a major US broadcast and merchandising partnership with Viacom for *Robot Wars*. This represents a significant breakthrough in the US, the most lucrative international market.

Venner Television Limited ('VTV')

In July 2000 we acquired VTV. This strengthened our sports capacity and extended our expertise into the area of badminton and cycling, two fast-growing sports internationally.

Offshore Sport Promotion ('OSP'): Class 1 Powerboat Racing

In January 2001 we acquired OSP, the official promoter and organiser of Class 1 Offshore Powerboat racing, a very exciting and under-exploited sport. With this acquisition we now hold long-term rights (55 years) for world-wide television, sponsorship and all commercial activities. As a result of this deal our start-up Supercatz project has been terminated. There will be continuing value to us but we have included our share of loss due to termination as an exceptional item cost last year of £190,000.

Dividend

The directors are recommending a final dividend of 3.2 p (1999 – 3.0p), giving a total net dividend of 4.8p (1999 – 4.5p). The dividend is covered 2.8 times by earnings. The final dividend will be paid on 9 May 2001 to shareholders on the register at close of business on 17 April 2001.

Current trading and prospects

Last year was another excellent year, ending strongly in all strategically important divisions of the Group.

The new year has started in a similar way with the renewal of several long-term production contracts; the move into new sports; new programme commissions; significant international format and other sales; excellent progress in the integration of our acquisitions. The proportion of income from content creation will continue to grow as will the catalogue of formats, completed programming and valuable library footage.

As part of our growth strategy we are keen to acquire further appropriate content generation businesses.

Overall we expect strong year-on-year growth during the coming year and a continuation of our successful strategy.

Board

I would like to pay tribute to the support and loyalty of my fellow Board members, in particular to the newest executive member, Tom Gutteridge.

Terry Bate

Chairman

4 April 2001

CHIEF EXECUTIVE'S REVIEW

Content Creation : Sunset + Vine, VTV, Mentorn, OSP

We see our role as creators and managers of brands, which increasingly we own.

Segmental profit before goodwill increased by 62% to £4.93 million (1999 – £3.03 million) on turnover up 91% to £25.17 million (1999 – £13.08 million)

Sunset + Vine and VTV together generate a wide range of programming in the sports, factual and advertiser sponsored programme areas.

Mentorn are leaders in entertainment and factual programming. Turnover was £20.65 million. We are only consolidating our share of turnover from the date of full ownership (5 October 2000), some £6.7 million. Our share of operating profit was £1.16 million before an exceptional item cost of £0.15 million for restructuring. This is a significant improvement from last year's loss of £2.4 million.

During the year we produced 3,500 hours of programmes in total for a wide range of clients; in the UK, all the major terrestrial channels, Discovery and Flextech and a growing portfolio of other cable and satellite operations; internationally we placed advertiser sponsored programmes weekly in over 200 countries and sold completed programmes and formats to a growing list of countries and clients. The Television Corporation is now one of the biggest independent UK programme producers.

In order to allow a greater understanding of the range and volume of programming we are now generating I am going to report operationally on this area of activity by grouping content under its various categories: Sports, Advertiser Sponsored, Entertainment and Factual. This is because a) it gives greater clarity as to how we are rapidly building our expertise in the various key genres and b) key expertise from one company is increasingly deployed elsewhere in the Group. This collective strength is one of our greatest assets and one of the reasons why the prospects for our content creation activities are so good.

Sports Programmes

During the year the Group further consolidated its position as a leading creator and producer of sports programming. What marks us out from other sports companies is our expertise and professionalism from the creative inception of the idea, to programme production, outside broadcast and post-production, packaging and international distribution – a genuine one-stop-shop. We also have a widening range of long-term relationships with rights owners and distribution channels (including conventional broadcasters).

The highly successful *Gillette World Sport* is the longest-running international sports programme. I will cover it in the next section, Advertiser-Sponsored Programmes.

Sunset + Vine's expertise is demonstrated through the quality of our cricket coverage during the year with our widely-acclaimed Channel 4 programming picking up eight broadcast awards, including the BAFTA for best sports coverage. Our constant striving to improve the quality of our cricket coverage is shown by the introduction for the 2001 season of the 'Hawkeye' ball-tracking system, which we developed and jointly own with Siemens. We believe this innovation can be profitably extended to other sports like baseball, football and tennis.

Our successful series, *Live and Dangerous*, which screens six hours a night, six days a week on Channel 5 has now been recommissioned till December 2005. We also continued to produce and distribute the Emirates World Racing series, including the Dubai World Cup, the world's richest horserace.

During the year we added badminton and cycling to our portfolio of sports production skills with the purchase of VTV, specialists in these fast growing sports.

OSP presents us with a great opportunity to transform the way offshore powerboat racing has been managed and turn it into a major international television sport, generating significant sponsorship income and programme sales. There will be nine races world-wide in the 2001 season. Our aim in our first year of ownership (2001) is to invest in higher quality television production and event locations in advance of securing new title sponsorship and higher revenues from local promoters in the 2002 season.

In addition to OSP's Class 1 powerboat racing, we have been strengthening our expertise in motor-related sports. This has already been rewarded with the production contract for *Moto GP*, the 500cc motorbike world championships for Channel 5.

Other sporting highlights included coverage of *RAD* (the extreme sports show for Channel 5), the Sydney Paralympics (BBC1), and over twenty live international football matches (Channel 5).

Advertiser-Sponsored Programmes

During the year the Company confirmed its position as the leader in the production and distribution of global advertiser-sponsored programming. This highly specialised genre of programming is increasingly in demand as advertisers seek cost-effective means of reaching an increasingly fragmented audience.

In addition to the fees received for producing and distributing the programming there is residual value in the new footage we generate which is capable of being used in other programmes and for customers. Also through our specialist distribution team, we have the critical skills to place programmes with broadcasters all over the world. This requires a detailed global understanding of the programmes and the needs of broadcasters and sponsors.

The weekly *Gillette World Sport*, the longest running advertiser sponsored series (now in its seventeenth year), was recommissioned for a further two years from January 2001. The programme, now aired in 203 countries, has more specially-shot material than acquired sports coverage. This allows continuing improvement of the programme and adds to our footage library.

Gillette is also sponsoring our production and distribution of thirteen half-hour programmes to preview the 2002 World Cup, *Gillette World Cup Special*, the production of which starts in the autumn.

The 26 half-hour third series of *Toyota World of Wildlife*, sponsored by Toyota Motor Corporation of Japan, is in production and is being successfully distributed to over 130 countries.

Another advertiser-sponsored programme format successfully launched last year was *E Vision*, the world's first global current affairs series. Produced with the input of The Economist magazine's editorial team it is designed for television, in-flight and Internet broadcasting. *E Vision* is now available in fifteen airlines and three countries and on ten international airlines. So successful has this project been that the frequency is likely to increase from monthly to weekly editions later this year.

Our leadership in this specialist programme area is further demonstrated by projects in development. For example, with BBC Worldwide we are developing a new health strand *Health Express*, for international distribution using the BBC's extensive library.

Entertainment Programmes

This is an increasingly key area of content-generation expertise. Where possible our aim is to develop and retain the rights to long-running programming with wide international and secondary sales potential. We have now concluded several important deals where we control distribution, merchandising and other valuable rights.

Our approach is illustrated by the great success we have had with *Robot Wars*. We have already produced over 70 episodes, mainly for BBC2, which is now recommissioning a further 64 episodes over two years. *Robot Wars* has become an exploitable brand. Consequently, a range of robot merchandise was launched last Autumn with the toys becoming best-sellers at Christmas. This success led to further significant retail interest for the current year, with several new ranges being launched. The *Robot Wars* web site is also proving to be very popular. International programme and format sales have been growing with the series now playing in fourteen countries. We have recently concluded an agreement with Viacom to make a US version of *Robot Wars* as well as remake existing programming for screening in the US on several of their channels. Not only will this generate significant sales and production income but the exposure on US television across three channels will undoubtedly drive consumer products income.

An exciting development in the entertainment field is the new programme format we are currently developing for Channel 4 called *Crossfire*. We believe this programme has strong UK and international sales and merchandising potential. The first series of thirteen episodes has now been recorded and is due for transmission in the autumn. We control world-wide rights for this project and are already in advanced discussions with other international producers about licensing the format to them.

Technogames, a robot Olympics, has just successfully finished its second series on BBC2 and has already been commissioned for a further series. There is now considerable international interest in sales of the completed programme and format development.

Star for a Night has completed a successful second series on BBC1 primetime and a further six episodes are in production for transmission in September this year. The format has also been sold to several overseas territories with a *Junior Star for the Night* special planned for later in the year.

Rolling Back the Years is a commission from ITV to make thirteen one-hour pop nostalgia programmes from the Music Box library. It features interviews with some of the music industry's greatest legends from our twenty-year-old archive of pop interviews and music clips. This library is now generating income from third party sales as late Twentieth Century popular culture becomes a source of nostalgia programming on many channels.

We now have a wide-ranging list of projects in development, thus securing future profitability.

CHIEF EXECUTIVE'S REVIEW

Factual and Documentary Programmes

Factual output was dominated by *Question Time*, now into the last of a three-year contract with the BBC. This flagship programme continues to perform very well in its new 10.30pm post-news slot and our association with the series brings significant prestige and industry respect.

Other factual highlights included further series of the popular crime programmes *Car Wars* and *Chopper Coppers* for BBC1 and Channel 5 respectively, a successful foreign affairs series *Unreported World* for Channel 4; a number of key documentary programmes including *The Cult That Couldn't Stop Killing* for Channel 4 (winning a RTS Journalism award), *Babiitsky's War*, also for Channel 4, and *Hilary's New York Adventure*, a major profile of Hilary Clinton for BBC2. In the pipeline are such major programmes as *Queen and Country* a landmark series for the Queen's Jubilee and *The Living Pulse*, a 26-part series for Discovery.

Facilities – Visions and Molinare

Turnover before inter-group adjustment increased by 9% to £22.97 million (1999 – £21.08 million) with a small reduction in operating profit to £2.45 million (1999 – £2.78 million). This net reduction is a mixture of continuing strong profit growth for Visions (where profit increased substantially) offset by reduced profit in Molinare. The latter is partly the result of the continuing impact of the previously announced long-term contracts expiring in transmission, for which we had budgeted, but also Molinare's achieved profits were further reduced as a result of a lower level of activity in the last quarter.

Visions: outside broadcast services

Visions performed strongly during the year benefiting from the acquisition of the remaining two-thirds of Global Television Services Limited ('Global') not already owned. During the year the two companies were combined creating considerable cost savings. Global's major contracts included Channel 4 Racing (117 race days per year), *City Hospital* for BBC daytime and various events for Meridian and Anglia Television.

Visions continued to be Sky Sport's largest outside broadcast provider last year in terms of the number of event-days covered. This included 70 Nationwide and 40 Scottish Premier League matches, the Scottish FA Cup Final, three schoolboy and experimental Pay Per View matches as well as fourteen days of snooker. As the overall rights pass away from Sky, our involvement with the Nationwide League ends in August. This however has been replaced with a three-year contract to provide outside broadcast facilities for all Sky Sports' FA Cup, Premier League and home international matches, a minimum of 300 games. As a result we shall be building a new presentation truck specifically for the Sky coverage as well as upgrading much of our equipment.

Following the success of the 1999 season, Visions was awarded a new three-year contract to provide facilities for Channel 4's coverage of England's home cricket matches. As a result Visions launched a new state-of-the-art digital truck in May. Together with the tape truck built earlier in the year, and the 23 new digital cameras, this unit is one of the most powerful and sophisticated in Europe.

Visions also renewed its contract with NBC for Wimbledon and The French Open tennis for a further two and three years respectively. Additionally, Visions won a three-year contract from Turner Sports in the US for coverage of Wimbledon. This level of coverage positions Visions as second only to the BBC for Wimbledon coverage. Other sports coverage included the *Dubai World Cup*, the *French Derby* and the *Prix de L'Arc de Triomphe* horse races for the BBC, facilities for tennis tournaments in Monte Carlo, Rome, Stuttgart and Paris as well as the Sydney Olympics.

In the field of music and light entertainment Visions had another good year providing outside facilities to *Robot Wars* and *Technogames*, *Saturday Night at the London Palladium* and the *BAFTA Awards* and many other programmes. In music our coverage included such diverse events as opera at Glyndebourne, *Tony Bennett* and *Charlotte Church in Vienna* and *Bert Bacharach* for Fuji.

Molinare: post-production, studio, transmission services

Molinare continues to provide a complete range of post-production (including audio and graphics), studio and transmission services to a wide range of customers.

A challenging time for revenues masked a number of significant advances for Molinare, which will bring benefits during 2001.

Highlights included the strengthening of Molinare's graphics capability with the appointment of new senior staff. These appointments are bearing fruit and include creating television sponsorship graphics for *Now Magazine*, *The Co-op*, *Unigate* and many other household brands.

Molinare is now making progress in the field of higher margin, high quality drama post-production. The first move into this area has been through hiring specialists in the audio field and creating dedicated in-house drama sound facilities. The response from the industry has been very encouraging with work on such high profile series as *Trial and Retribution IV*, *Here After* and *Plain Jane* for ITV, and *Take A Girl Like You* for BBC.

We are now winning longer-term contracts from existing clients such as Pearson's *The Bill* and the BBC's *The Holiday Programme*. We are also benefiting greatly from the close association with other Group companies, securing post-production work for the Channel 4 cricket coverage, *Robot Wars* and the title sequence for *Gillette World Sport*.

Our conventional and virtual studios continue to be busy and profitable.

Pacific Media Affiliates ('Pacifica')

In February 2001 we increased our stake in Pacifica from 50% to 75%, thus giving us management control. This has enabled us immediately to restructure operations on a much more profitable basis and appoint a new senior management team. Pacifica specialises in audio post-production with such business-to-business brands as Echo Sound Services, Weddington Productions, Digital Sound Works and Larson Sound Center.

Pacifica, one of the largest audio operations in Los Angeles, is now profitable and is strategically well-positioned to take advantage of the consolidation changes taking place in this market.

Balance sheet

Net debt increased to £13.56 million at 31 December 2000 (1999 – £5.81 million). At this level of debt, net interest is covered eleven times and gearing is 40%. The increase is mainly the result of our investment programme, including the new Visions' truck, the cash element of the Global and VTV acquisitions and continuing funding for Pacifica.

Staff

I would like to thank the staff throughout our growing Group. Their ability to drive our business forward, creating some of the most imaginative and entertaining programming available while dealing with significant change is a tribute to their professionalism.

Chris Rowlands

Chief Executive

4 April 2001

GROUP STRUCTURE

	Content creation	Facilities	
Trading Divisions	Production	Post Production and Transmission	Outside Broadcast
Trading Companies	The Television Corporation	Molinare	Visions
	Sunset+Vine Productions		Global Television Services
	Music Box		
	Sunset+Vine North		
	Mentorn Group		
	Venner Television		
	Offshore Sport Promotion		

GROUP FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December 2000 £'000	Restated Year ended 31 December 1999 £'000	Restated Year ended 31 December 1998 £'000	Restated Year ended 31 December 1997 £'000	Restated Year ended 31 December 1996 £'000
Turnover:					
Content creation	25,166	13,084	9,983	8,002	4,702
Facilities	18,784	18,945	19,997	23,236	20,396
	<u>43,950</u>	<u>32,029</u>	<u>29,980</u>	<u>31,238</u>	<u>25,098</u>
Operating profit before amortisation of goodwill on subsidiaries	5,888	4,362	4,354	4,245	3,192
Amortisation of goodwill on subsidiaries	(277)	-	-	-	-
Operating profit	<u>5,611</u>	<u>4,362</u>	<u>4,354</u>	<u>4,245</u>	<u>3,192</u>
Non-operating exceptional items	(344)	(173)	(232)	-	83
Share of operating results of joint ventures and associates	(34)	(208)	(21)	(5)	-
Amortisation of goodwill on joint ventures and associates	(134)	(48)	-	-	-
Net interest	<u>(451)</u>	<u>(110)</u>	<u>(131)</u>	<u>(127)</u>	<u>(206)</u>
Profit before taxation	4,648	3,823	3,970	4,113	3,069
Taxation (as restated)	1,026	1,436	1,867	782	113
Profit after taxation	<u>3,622</u>	<u>2,387</u>	<u>2,103</u>	<u>3,331</u>	<u>2,956</u>
Earnings per share	<u>13.5p</u>	<u>9.1p</u>	<u>8.1p</u>	<u>12.9p</u>	<u>12.0p</u>
Earnings per share based on profit after tax excluding amortisation of goodwill	<u>15.0p</u>	<u>9.3p</u>	<u>8.1p</u>	<u>12.9p</u>	<u>12.0p</u>

DIRECTORS REPORT

The directors submit their report and accounts for the year ended 31 December 2000. The directors consider that the Company has adequate resources to continue in operation for the foreseeable future and thus they continue to adopt a going concern basis in preparing the financial statements.

Results and dividends

The Group profit for the year after taxation was £3,622,000 (1999 – £2,881,000). The consolidated profit and loss account for the year is shown on page 19.

During the year the directors approved an interim dividend of 1.6p per share (1999 – 1.5p). They now recommend a final dividend of 3.2p per share (1999 3.0p), making a total dividend for the year of 4.8p (1999 – 4.5p).

Business review and future developments

The principal activity of the Company and its subsidiaries is the creation, production and distribution of television programming, and the provision of television edit, outside broadcast and transmission facilities.

The Chairman's statement and Chief Executive's review that accompany this report give a more detailed description of the Group's activities during the period, and likely future developments.

Share capital

During the year the Company issued a total of 8,750 ordinary shares for cash consideration of £15,313. Additionally, provision has been made in these financial statements for the directors' best estimate of contingent consideration payable in shares relating to the acquisition of Mentorn Group Limited and Venner Television Limited, see note 22.

Directors

The directors of the Company during the year, and their interests in the share capital of the company are:

	At 22 March 2001		At 31 December 2000		At 1 January 2000 or subsequent date of appointment	
	Ordinary	Options	Ordinary	Options	Ordinary	Options
T Bate	4,651,455	300,000	4,651,455	300,000	4,651,455	300,000
C J Rowlands	51,000	388,000	51,000	388,000	47,000	363,000
S G Callen	25,753	50,000	25,753	50,000	25,753	50,000
J Foulser	1,000	225,000	1,000	225,000	–	150,000
Lord Chalfont	68,378	–	68,378	–	42,500	–
Sir Jocelyn Stevens	100,000	–	100,000	–	100,000	–
Lady Katherine Innes Ker <i>appointed 25 January 2000</i>	2,574	–	2,574	–	–	–
T Gutteridge <i>appointed 5 October 2000</i>	143,247	–	143,247	–	143,247	–

Lord Chalfont, who is standing for re-election, does not have a service contract with the Company. C Rowlands and T Gutteridge have service agreements with twelve-month notice periods.

Non-executive directors

Terry Bate, aged 67, has forty years experience in the broadcast industry. A leader in the founding of British commercial radio, his experience spans both television and radio in writing, performing, sales, marketing, management and ownership.

Lord Chalfont OBE, MC, PC, aged 81, was Deputy Chairman of the Independent Television Commission and subsequently chairman of the Radio Authority as well as Chairman of VSEL. He has also enjoyed a long and commendable career in the Army, as a defence correspondent of The Times and as a Minister of State at the Foreign Office. He has held directorships in IBM, Lazards, Shandwick, Boeing and presently is Chairman of Marlborough Stirling Group. He has written a number of military biographies and defence studies.

Sir Jocelyn Stevens CVO, aged 69, was Chairman of English Heritage until 2000. His experience spans the publishing industry in both magazines and newspapers. He was also Rector of the Royal College of Art and Deputy Chairman of the Independent Television Commission.

Lady Katherine Innes Ker, aged 40, has extensive experience of both the City and the media industry having been a director at both SBC Warburg and Dresdner Kleinwort Benson specialising in European and UK media respectively. She also holds a non-executive directorship of ONdigital and is a trustee of the Tavistock Trust for Aphasia.

DIRECTORS REPORT

Tom Gutteridge, aged 49, is a former BBC executive producer and has won many international awards for his programme-making skills. He founded Mentorn in 1985 and remains executive Chairman of the Mentorn Group. He is Deputy Chairman and Fellow of The Royal Television Society, a Council member of the British Screen Advisory Council, former Chairman of PACT (The Producers' Alliance for Cinema and Television), and is Trustee of the National Film and Television School Foundation and The Discovery Centre in Birmingham.

Chris Rowlands, aged 49, was chief executive of HTV Group plc until joining The Television Corporation, during which time he was a Council member of the Independent Television Association. Prior to that, he worked in retailing and the City for many years.

Substantial shareholdings

Other than directors' interests, the directors have been advised of the following shareholding of 3 per cent or more of the Company's issued share capital at 22 March 2001:

	No. of shares	%
Chase Nominees	6,495,259	24.7
RBSTB Nominees	3,787,459	14.4
HSBC Nominees	2,443,747	9.3
Prudential Nominees	1,545,500	5.9
Morgan Nominees	1,379,702	5.3
Vidacos Nominees	1,272,955	4.8

Supplier payment policy

The Group has due regard to the payment terms of suppliers and generally settles all undisputed accounts within 30 days of the date of the invoice, except where different arrangements have been agreed with suppliers.

At 31 December 2000, the Company had an average of thirteen days purchases outstanding in trade creditors.

Donations

During the year the Group made charitable donations of £1,000 (1999 – £1,000). There were no political donations (1999 – nil).

Auditors

A resolution to reappoint BDO Stoy Hayward as auditors will be put to the members at the Annual General Meeting.

By order of the Board
P A C Baldwin, CBE
Secretary



4 April 2001

REPORT OF THE DIRECTORS ON REMUNERATION

As well as complying with the provisions of the Code of Best Practice set out in section 1 of the Combined Code (save as disclosed below), the directors have applied the principles of Good Governance relating to directors' remuneration as described below.

Remuneration Committee

The committee is composed solely of non-executive directors: Lord Chalfont, Sir Jocelyn Stevens and Lady Katherine Innes Ker. Lord Chalfont is the chairman of the Committee. None of the committee members has any personal financial interests (other than as shareholders) in the matters to be decided, nor conflicts of interest arising from cross-directorships, nor day-to-day involvement in the running of the business.

The remuneration policy

The remuneration packages of directors and senior managers are structured so as to reward them on the basis of their achievement and responsibilities, and to encourage them to remain with the Company for the long-term benefit of shareholders. The main components of these remuneration packages are:

Basic salary An individual's salary is reviewed and determined by the Committee, taking into account his or her performance and responsibilities within the Group.

Share options Share options have been granted to directors and senior management to provide additional incentives and to align their interests within the Group.

Performance related bonuses A Group bonus scheme, based on outperforming financial targets, is in operation to provide additional incentives to key senior management and directors and to align their interests within the Group.

Pension arrangements Executive directors and senior management are offered membership of the Group pension scheme (note 9), or alternatively pre-existing arrangements to make Company contributions to personal executive pension schemes are adhered to.

Service contracts All service contracts are for periods of no more than twelve months.

Directors' remuneration for the year was as follows:

	Salary	Fees	Bonus	Benefits	Total	Total	Pensions	Pensions
	£'000	£'000	£'000	in kind	2000	1999	contributions	contributions
	£'000	£'000	£'000	£'000	£'000	£'000	2000	1999
							£'000	£'000
Executive directors								
C J Rowlands	175	-	-	1	176	186	35	24
S G Callen	85	-	-	1	86	71	9	7
J Foulser	165	-	8	2	175	161	17	15
T Gutteridge								
appointed 5 October 2000	38	-	-	-	38	-	-	-
Non-executive directors								
T.Bate	-	-	-	1	1	61	-	-
Lord Chalfont	-	20	-	-	20	20	-	-
Sir Jocelyn Stevens	-	20	-	-	20	20	-	-
Lady Katherine Innes Ker								
appointed 25 January 2000	-	20	-	-	20	-	-	-
	<u>463</u>	<u>60</u>	<u>8</u>	<u>5</u>	<u>536</u>	<u>519</u>	<u>61</u>	<u>46</u>

REPORT OF THE DIRECTORS ON REMUNERATION

Share Options have been granted to executive directors and senior management to subscribe for shares at market value of the share at the date of grant of the option. Details of options held by directors at 31 December 2000 are as follows:

		Exercise price	At 1 January 2000	Granted	At 31 December 2000
T Bate	(a)	230p	300,000	–	300,000
C J Rowlands	(a)	230p	313,000	–	313,000
	(b)	294p	50,000	–	50,000
	(c)	442.5p	–	25,000	25,000
S G Callen	(a)	230p	50,000	–	50,000
J Foulser	(a)	230p	100,000	–	100,000
	(b)	294p	50,000	–	50,000
	(c)	442.5p	–	75,000	75,000

The options are exercisable between the following dates:

- (a) 30 April 2001 and 30 April 2008.
- (b) 12 September 2002 and 12 September 2009.
- (c) 4 April 2003 and 4 April 2010.

During the year there were no options exercised by directors.

At 31 December 2000 the market price of the Company's ordinary 5p shares was 447.5p. During the year ended on that date the share price moved within the range 330p to 495p.

At 31 December 2000 T Gutteridge had a loan from Mentorn Group Limited of £18,000 (1999 – £nil), the result of personal expenses paid by Mentorn Group Limited. The maximum amount outstanding during the year was £18,000. No interest was charged on this account.

Non-executive directors' fees

The remuneration of the non-executive directors is determined by the Board within the limits set by the Articles of Association, as agreed from time to time by shareholders in general meeting.

T Bate waived fees of £60,000 for the year.

CORPORATE GOVERNANCE

The directors believe as a Board that their principal function is to deliver sustainable wealth for the Group's investors, and that this should be achieved within the acknowledged corporate governance guidelines. The directors confirm that they have continued to ensure that the Group applies and maintains the Principles of Good Governance and Code of Best Practice ('the Code'), in so far as is practicable for a public company of this size.

Save for the exceptions outlined in the report below, the Group has complied throughout the accounting period ended 31 December 2000 with the provisions set out in section 1 of the Code.

Directors

The Board of directors currently comprises four executive and four non-executive directors.

Three of the four non-executive directors, Lord Chalfont, Sir Jocelyn Stevens and Lady Katherine Innes Ker are deemed to be independent within the guidance of the Code and constitute in excess of one third of the total Board members. Terry Bate is the non executive chairman and is not considered independent within the meaning of the Code due to his continuing relationship with management and his shareholding in the company. C J Rowlands is the Chief Executive.

The roles of the Chairman and Chief Executive are separate and clearly defined. The Chairman is primarily responsible for the working of the Board and the Chief Executive is responsible for the day to day management of the business. Biographical details of all non-executive directors and executive directors seeking reappointment can be found on pages 11 to 12.

The senior non-executive director is Lord Chalfont. Concerns relating to the executive management of the Company or the performance of the other non-executive directors may be raised with him.

The Board meets monthly and more frequently whenever business needs require. The Board has a schedule of matters reserved to it for decisions and the requirement for board approval on these matters is communicated widely throughout the senior management of the Group. This includes matters such as material capital commitments, commencing or settling major litigation, business acquisitions and disposals, and appointments to subsidiary company boards.

To enable the Board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of the board meetings, this consists of a comprehensive set of papers, including monthly management accounts, business progress reports and discussion documents regarding specific matters.

There is an agreed procedure for directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access every director has to the company secretary. The secretary is charged by the Board with ensuring that the board procedures are followed.

The Board has established procedures whereby new members receive appropriate training in respect of their role and duties as directors of a public company.

No nominations committee is in place as the directors consider the Board to be small. This will be kept under review. The composition of the Board is kept under review with the aim of ensuring that the Board collectively possesses the necessary skills and experience to direct the Group's business activities. Appointments to the Board of both executive and non-executive directors are considered by the Board as a whole. Newly appointed directors must submit themselves for re-election by shareholders at the earliest opportunity after their appointment and all directors must seek re-election at three yearly intervals.

The Remuneration Committee considers any remuneration package before it is offered to a potential appointee. Full details of directors' remuneration and a statement of the Group's remuneration policy are set out earlier in the Remuneration Report. Non-executive directors are not appointed for specified terms, the Articles require that one third of non-executive directors retire by rotation each year and seek re-election at the annual general meeting. In order to comply with the Code, but to avoid the expense of amending the Company's Articles to deal with the single point, the Board has resolved that each director will retire at least every three years, even if this is not strictly required by the Articles.

CORPORATE GOVERNANCE

Communication with shareholders

The Company publishes interim financial statements as well as its full report and accounts. These accounts are posted to all shareholders and are available on request to other parties who have an interest in the Group's performance. The Chief Executive meets the principal institutional investors at the time that accounts are published. All shareholders have the opportunity to put questions at the Company's annual general meeting, and the directors make a presentation at the meeting to highlight the key business developments during the financial year.

Audit and internal control

The respective responsibilities of the directors and the auditors in connection with the accounts are explained on pages 17 and 18 and the statement of the directors on going concern appears on page 11.

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Given the size of the Company, the relative simplicity of the systems and the close involvement of senior management, the Board considers that there is no current requirement for an internal audit function. This will be kept under review.

Following publication of guidance for directors on internal control, *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance), the Board confirms there is an ongoing process for identifying and evaluating and managing the significant risks faced by the Group, that has been in place for the year under review and up to the date of approval of the annual report and accounts, and this process has been regularly reviewed by the board and accords with the guidance. The key elements for the year under review have been:

Management reporting

Management report regularly on their review of risks and how they are managed to both the Board and the Audit Committee, which reviews, on behalf of the Board the key risks inherent in the business and the system of control necessary to manage such risks, and present their findings to the Board.

Financial reporting

A detailed budgeting process for all Group businesses culminates in annual Group capital and revenue budgets that are approved by the Board. Results for the Company and all its trading divisions are reported monthly against budget to the Board, and forecasts for the year are revised on a monthly basis.

Financial and accounting principles

The directors and senior accounts staff are aware of the financial and accounting policies and procedures to be applied throughout the Group. The directors intend to comply with best practice when selecting accounting policies and preparing the accounts. The impact of new accounting policies is reviewed when they are introduced and discussed with external financial advisers, if necessary, in order to obtain a fuller understanding.

Capital investment

The capital expenditure budgets for the year ahead are set prior to preparation of the annual revenue budgets. The Group has clearly defined guidelines for capital expenditure, including detailed appraisal, review procedures and hierarchical authority requirements. In the event of a proposed business acquisition, due diligence procedures would be followed.

Audit Committee

The Audit Committee comprises Lord Chalfont (Chairman) and two further non-executive directors, Sir Jocelyn Stevens and Lady Katherine Innes Ker. The Audit Committee on behalf on the Board has reviewed the effectiveness of the system of internal control from information provided by management and the Group's external auditors. Any systems of internal control can only provide reasonable assurance of meeting the internal control objectives.

The Audit Committee keeps the scope and cost effectiveness of both internal controls and the external audit under review. The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors confirm that they have complied with the above requirements in preparing accounts.

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

AUDITORS' REPORT

Report of the auditors to the shareholders of The Television Corporation plc

We have audited the financial statements on pages 19 to 36 which have been prepared under the historical cost convention and the accounting policies set out on pages 25 and 26.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 17, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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. 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 or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on pages 15 and 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO Stoy Hayward
Chartered Accountants and
Registered Auditors

London

4 April 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2000

	Note	£'000	2000 £'000	£'000	Restated 1999 £'000
Turnover: Continuing operations					
ongoing		35,578		32,977	
acquisitions		8,509		-	
Less: share of joint ventures turnover		(137)		(948)	
Group turnover	3		43,950		32,029
Cost of sales	4		31,110		21,896
Gross profit			12,840		10,133
Administrative expenses:	4				
operating expenses		6,952		5,771	
amortisation of goodwill on subsidiaries		277		-	
			7,229		5,771
Group operating profit: Continuing operations					
ongoing		4,284		4,362	
aquisitions		1,327		-	
			5,611		4,362
Share of operating losses in joint ventures			(35)		(45)
Share of operating profit/(loss) of associates			1		(163)
Amortisation of goodwill on associates			(134)		(48)
Non-operating exeptional items	5		(344)		(173)
Profit before interest			5,099		3,933
Interest receivable and other similar income	6		377		82
Interest payable	7		(828)		(192)
Profit on ordinary activities before taxation	8		4,648		3,823
Taxation on profit on ordinary activities	10		(1,026)		(1,436)
Profit on ordinary activities after taxation			3,622		2,387
Dividends	11		(1,275)		(1,178)
Retained profit for the year			2,347		1,209
Basic earnings per ordinary share	12		13.5p		9.1p
Diluted earnings per ordinary share	12		12.8p		9.0p

The comparative figures have been restated to reflect a prior year adjustment details of which can be found in note 2.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 December 2000

	2000 £'000	Restated 1999 £'000
Profit for the financial year	3,622	2,387
Prior year adjustment	(1,837)	
Total recognised gains and losses since last annual report	1,785	

GROUP BALANCE SHEET

At 31 December 2000

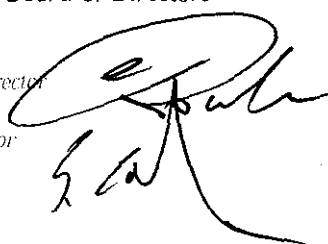
	Note	£'000	2000 £'000	£'000	Restated 1999 £'000
Fixed assets					
Intangible assets	13		20,720		-
Tangible assets	14		19,324		14,411
Investment in joint venture:					
Share of gross assets		25		1,044	
Share of gross liabilities		(30)		(1,069)	
		(5)		(25)	
Investment in associates		(132)		2,392	
Other fixed asset investments		202		61	
Fixed asset investments	15		65		2,428
			40,109		16,839
Current assets					
Stock and work in progress		741		741	
Debtors	16	24,966		12,341	
Cash at bank and in hand		6,743		1,065	
		32,450		14,147	
Creditors					
Amounts falling due within one year	17	32,520		11,527	
Net current (liabilities)/assets			(70)		2,620
Total assets less current liabilities			40,039		19,459
Creditors					
Amounts falling due after more than one year	18		4,398		2,476
Provision for liabilities and charges	20		2,788		1,917
			32,853		15,066
Capital and reserves					
Called-up share capital	22		1,312		1,312
Shares to be issued	22		15,425		-
Share premium account	22		14,020		14,005
Profit and loss account	22		2,096		(251)
Shareholders' funds - Equity	22		32,853		15,066

The comparative figures have been restated to reflect a prior year adjustment details of which can be found in note 2.

Approved by the Board of Directors
on 4 April 2001

C J Rowlands *Director*

S G Callen *Director*



COMPANY BALANCE SHEET

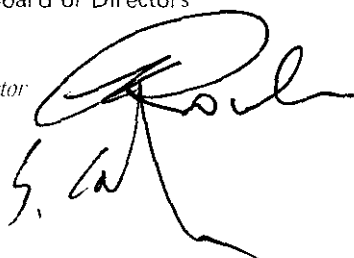
At 31 December 2000

	Note	£'000	2000 £'000	£'000	Restated 1999 £'000
Fixed assets					
Tangible assets	14	478		410	
Investments	15	<u>7,727</u>		<u>6,717</u>	
			8,205		7,127
Current assets					
Stock and work in progress		640		660	
Debtors:	16				
Amounts receivable within one year		12,243		7,123	
Amounts receivable after more than one year		8,164		8,164	
Cash at bank and in hand		<u>870</u>		<u>1,060</u>	
		21,917		17,007	
Creditors					
Amounts falling due within one year	17	<u>9,677</u>		<u>5,837</u>	
Net current assets			12,240		11,170
Total assets less current liabilities			20,445		18,297
Creditors					
Amounts falling due after more than one year	18	4,273		2,322	
Provisions For Liabilities and Charges	20	<u>220</u>		<u>526</u>	
			4,493		2,848
			<u>15,952</u>		<u>15,449</u>
Capital and reserves					
Called-up share capital	22		1,312		1,312
Shares to be issued	22		172		-
Share premium account	22		14,020		14,005
Profit and loss account	22		<u>448</u>		<u>132</u>
Shareholders' funds - Equity	22		<u>15,952</u>		<u>15,449</u>

Approved by the Board of Directors
on 4 April 2001

C J Rowlands *Director*

S G Callen *Director*



GROUP CASH FLOW STATEMENT

Year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Cash flow from operating activities	(1)	4,858	3,434
Returns on investment and servicing of finance	(2)	(358)	(99)
Taxation		(1,703)	(1,294)
Capital expenditure	(2)	(5,832)	(3,718)
Acquisitions and disposals	(2)	(3,764)	(710)
Equity dividends paid		(1,207)	(1,120)
Cash outflow before use of liquid resources and financing		(8,006)	(3,507)
Financing			
Issues of shares	(2)	15	88
Increase in debt	(2)	2,329	549
Net financing inflow		2,344	637
Decrease in cash in the period		(5,662)	(2,870)
		2000 £'000	Restated 1999 £'000
Reconciliation of net cash flow to movement in net debt	(3)		
Decrease in cash in the period		(5,662)	(2,870)
Cash (inflow) from (increase) in debt and lease financing		(2,329)	(549)
Non-cash movements in net debt		250	(927)
Movement in net debt in the period		7,741	4,346
Opening net debt		5,814	1,468
Closing net debt		13,555	5,814

Notes to the cash flow statement

(1) Reconciliation of operating profit to operating cash flows

	2000 £'000	1999 £'000
Operating profit	5,611	4,189
Amortisation of goodwill on subsidiaries	277	-
Depreciation charges	3,504	3,112
(Profit)/loss on sale of fixed assets	(410)	24
Decrease/(increase) in stock and work in progress	28	(395)
Decrease/(increase) in debtors other than associates and investments	1,927	(2,687)
(Increase) in amounts owed by associates and investments	(4,486)	(2,371)
(Decrease)/increase in creditors	(1,593)	1,562
Net cash inflow from operating activities	4,858	3,434

(2) Analysis of cash flows for headings netted in the cash flow statement

	2000 £'000	1999 £'000
Returns on investment and servicing of finance		
Interest received	377	82
Interest paid	(608)	(113)
Interest elements of finance lease rental payments	(127)	(68)
Net cash outflow from returns on investment and servicing of finance	(358)	(99)
Capital expenditure		
Purchase of tangible fixed assets (excluding leased)	(6,483)	(3,718)
Sale proceeds of plant and machinery	651	-
Net cash outflow from capital expenditure	(5,832)	(3,718)
Acquisitions and disposals		
Purchase of interests in associate undertakings	(757)	(649)
Net cash acquired with subsidiaries	(2,927)	-
Purchase of unlisted investments	(80)	(61)
	(3,764)	(710)
Financing		
Issue of ordinary share capital	15	89
Share issue costs	-	(1)
Net proceeds from issue of share capital	15	88
New Loans	850	460
New finance leases	2,733	582
Repayments of secured loan due after one year	(614)	-
Capital elements of finance lease rental payments	(640)	(493)
Increase in debt	2,329	549
Net cash inflow from financing	2,344	637

GROUP CASH FLOW STATEMENT

Year ended 31 December 2000

(3) Analysis of net debt

	Restated At 1 January 2000 £'000	Cash flow £'000	Non-cash movement £'000	At 31 December 2000 £'000
Cash at bank and in hand	1,065			6,743
Bank overdraft	(3,428)			(14,768)
	<u>(2,363)</u>	<u>(5,662)</u>	<u>-</u>	<u>(8,025)</u>
Loan notes receivable	-	-	5,707	5,707
Debt due after one year	(1,740)	(12)	-	(1,752)
Debt due within one year	(517)	(221)	(4,675)	(5,413)
Finance leases	(1,194)	(2,096)	(782)	(4,072)
		<u>(2,329)</u>	<u>250</u>	
Total	<u>(5,814)</u>	<u>(7,991)</u>	<u>250</u>	<u>13,555</u>

Major non-cash transactions

Loan notes receivable of £5,707,000 were acquired with Mentorn Group Limited. They are guaranteed by Barclays Bank PLC, and have been used as security against the debt due within one year of £4,675,000.

During the year the Group acquired:

- The remaining 67% of Global Television Services Limited;
- The entire share capital of Venner Television Limited;
- The remaining 50% of Mentorn Group Limited

Adjustment has been made for the debt acquired with these companies. For more information on these acquisitions see note 15.

Loan notes previously not included in debt of £1,327,000 have been restated in the opening balance of net debt.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

1 Accounting policies

The accounts of the Group have been prepared under the historical cost convention and are in accordance with applicable Accounting Standards.

In preparing these accounts the Group has adopted the following Financial Reporting Standard for the first time:

FRS 19 Deferred Tax

The adoption of FRS 19 has resulted in a change of accounting policy and prior year adjustment. The impact of this is further explained under the Deferred Taxation below and in note 2.

Basis of consolidation

The consolidated accounts incorporate the accounts of The Television Corporation plc and all its subsidiary undertakings made up to 31 December 2000. Under the provisions of the Companies Act 1985, no profit and loss account is presented for The Television Corporation plc.

Both the acquisition and merger method of accounting have been adopted to consolidate the results of subsidiary undertakings in the Group accounts. The directors consider on an individual basis the method to be adopted, taking account of all circumstances.

Under acquisition accounting, the results of subsidiary undertakings are included from the date of acquisition.

Entities in which the Group holds an interest on a long term basis and which are jointly controlled by the Group and one or more other ventures under contractual agreements are treated as joint ventures. In the Group accounts, 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 accounts, associates are accounted for using the equity method.

Goodwill

Goodwill arising on consolidation, representing the excess of the fair value of the consideration over the fair value of net assets acquired, is appraised for each acquisition and prior to 1 January 1998 was eliminated against reserves under the former Group policy. Goodwill arising on acquisitions subsequent to this date is capitalised and amortised in accordance with FRS 10 over 20 years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Following its introduction, the Group has not taken the option under FRS 10 to restate goodwill previously eliminated against reserves. Goodwill previously eliminated against reserves will be charged or credited to profits in the future on the subsequent disposal of the related business.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in valuation. Investments held as current assets are stated at the lower of cost and market value.

Depreciation

Provision for depreciation is made to write off costs of tangible fixed assets over their expected lives, calculated as follows:

Short leasehold premises	Over term of lease
Edit suites and outside broadcast equipment	20% of net book value p.a.
Other equipment and furniture	10-20% of net book value p.a.
Motor vehicles	25% of net book value p.a.

Stocks and work in progress

Stocks and work in progress, which are stated at the lower of cost and net realisable value, represents costs incurred in respect of future productions. These costs are carried forward only where, in the opinion of the directors, there is a clearly defined project whereby the recovery of these costs can reasonably be expected. Net realisable value is based on estimated selling prices less any costs expected to be incurred.

Foreign currencies

Transactions in foreign currencies are recorded at the approximate rate of exchange ruling at the date of the transaction. Realised profits and losses are dealt with in the profit and loss account. Assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date, all differences being taken to the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

Deferred taxation

Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet

Operating leases

The annual rentals of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Finance leases

The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the accounting policy for the class of asset concerned. The capital element of future lease payments is included in creditors. The interest cost is allocated to accounting periods based on the capital element of the leases outstanding.

Pension Funding

The Group operates a defined contribution pension scheme for eligible employees. The contributions under this scheme are held in trustee-administered funds completely separate from the Group's finances. The amounts charged against profit are based on the defined contributions payable.

Financial Instruments

Short-term debtors and creditors are not treated as financial assets or financial liabilities for numerical disclosures under FRS 13 other than numerical currency risk. The Group does not hold or issue derivative financial instruments for trading purposes.

2 Prior year adjustments

- (a) The accounting policy in respect of deferred tax for the year ended 31 December 2000 differs from that used in prior years due to the adoption of FRS 19.

The effect of the change in accounting policy in respect of deferred tax is to decrease reported profit in the year to 31 December 1999 by £494,000. Had the policy not been revised, the reported profit in the year to 31 December 2000 would have been £252,000 higher.

- (b) In prior years no liability has been recognised in respect of tax obligations arising from distributions made from a trust known as The Television Corporation Share Ownership Trust because the directors were of the view, based on legal advice received at the time, that no liability would fall to the Company. As noted in prior years, discussions have been continuing with the Inland Revenue on this matter.

In the light of those discussions, and the facts now available, the directors consider that tax liabilities of £526,000 in total will have to be paid by the Company of which the Company has paid £306,000. The directors consider these amounts should have been provided in prior years and have accordingly made an adjustment as a prior year adjustment under FRS 3. There is no effect on current or prior year profit reported.

3 Turnover and segmental analysis

Turnover, which excludes value added tax and sales between Group companies, consists of sponsorship fees derived from the production and distribution of television and video programming, and the provision of television edit, transmission, and outside broadcast facilities.

	Content creation		Facilities		Total	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
<i>Geographical analysis by destination</i>						
United Kingdom	16,713	8,301	17,103	17,810	33,816	26,111
Europe	200	-	77	30	277	30
America	4,337	2,988	1,372	880	5,709	3,868
Asia	3,916	1,795	232	225	4,148	2,020
	<u>25,166</u>	<u>13,084</u>	<u>18,784</u>	<u>18,945</u>	<u>43,950</u>	<u>32,029</u>

Facilities comprise post-production, channel transmission and outside broadcast.

All the Group's operations are based in the United Kingdom.

	Content creation		Facilities		Restated Total	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
<i>Segmental analysis</i>						
Total sales	25,231	13,084	22,967	21,082	48,198	34,166
Sales between group companies	(65)	-	(4,183)	(2,137)	(4,248)	(2,137)
Turnover	25,166	13,084	18,784	18,945	43,950	32,029
Segmental trading profit	4,925	3,025	2,449	2,776	7,374	5,801
Amortisation of goodwill	(277)	-	-	-	(277)	-
Net segmental profit	4,648	3,025	2,449	2,776	7,097	5,801
Group overheads					(1,486)	(1,439)
Associates and joint ventures					(168)	(256)
Exceptional items					(344)	(173)
Interest receivable and other similar income					377	82
Interest payable					(828)	(192)
Group profit before tax					4,648	3,823
<i>Net assets</i>						
Segmental	24,439	1,933	12,066	13,679	36,505	15,612
Unallocated net (Liabilities)					(3,652)	(546)
Total net assets					32,853	15,066

Unallocated net assets comprise certain interest-bearing assets and liabilities, taxation and dividends.

4 Cost of sales and administrative expenses

	2000			1999		
	Ongoing £'000	Acquisitions £'000	Total £'000	Ongoing £'000	Acquisitions £'000	Total £'000
Cost of sales	25,658	5,452	31,110	21,896	-	21,896
Operating expenses	5,499	1,453	6,952	5,771	-	5,771
Amortisation of goodwill on subsidiaries	-	277	277	-	-	-

5 Exceptional costs

	2000 £'000	1999 £'000
Losses on asset write downs and associated costs arising on termination of long-term contracts	-	108
Loss on disposal of lease	-	65
Redundancy due to restructuring of division	154	-
Loss on closure of business	190	-
	344	173

6 Interest receivable and other similar income

	2000 £'000	1999 £'000
Interest receivable	377	82

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

7 Interest payable

	2000 £'000	1999 £'000
Bank loans and overdrafts	503	94
Finance lease interest	152	68
Loan note interest	80	19
Group interest payable and similar charges	735	181
Share of associates interest	93	11
	<u>828</u>	<u>192</u>

8 Profit on ordinary activities before taxation

	2000 £'000	1999 £'000
Profit on ordinary activities is arrived at after charging/(crediting):		
Depreciation – owned assets	2,588	2,605
– assets held under finance leases	916	507
Amortisation of goodwill on subsidiaries	277	–
Staff costs (note 9)	8,815	7,540
(Profit)/loss on disposal of fixed assets	(410)	24
Auditors' remuneration – for audit services	74	44
– for non-audit services	16	27
Operating lease rentals – land and buildings	1,695	1,604
– other	335	305
Foreign exchange differences	(151)	(37)
	<u></u>	<u></u>

9 Staff costs

	2000 £'000	1999 £'000
Employment costs (including directors) are as follows:		
Wages and salaries	7,792	6,733
Social security costs	833	675
Pension costs	190	132
	<u>8,815</u>	<u>7,540</u>

The average numbers of employees during the year including executive directors comprised:

	2000 No.	1999 No.
Programming	93	40
Facilities	153	160
	<u>246</u>	<u>200</u>

The Group operates a defined contribution pension scheme, the contributions to which are held in trustee-administered funds completely separate from the Group's finances. The amounts charged in the profit and loss account are based on the defined contributions paid in accordance with the rules of the scheme. Pension costs include payments made by the Group to certain employees' personal pension schemes.

Details of directors' remuneration and loans for each director, pension entitlements and share options are included in the Directors' Report on Remuneration on pages 13 and 14.

10 Taxation

	2000 £'000	Restated 1999 £'000
(a) UK Corporation tax on profits for the period	916	908
(Over)/under-provision for prior years	(142)	34
Total current tax (b)	774	942
Deferred taxation (note 20)	-	494
Prior year adjustment	252	-
Origination and reversal of timing differences	1,026	1,436
(b) Tax charge reconciliation		
Profits on ordinary activities before tax	4,648	3,823
Profits on ordinary activities multiplied by the standard rate of corporation tax 30% (1999 - 31%)	1,394	1,153
Effects of:		
Expenses not deductible	328	247
Income not taxable	(194)	(220)
Capital allowances (in excess of)/less than depreciation	(188)	35
Utilisation of tax losses	(424)	(307)
Adjustments to tax charge in respect of previous periods	(142)	34
	774	942

11 Dividends

	2000 £'000	1999 £'000
Interim - paid 1.6p per share (1999 - 1.5p per share)	420	391
Final - proposed 3.2p per share (1999 - 3.0p per share)	855	787
	1,275	1,178

12 Earnings per share

Basic earnings per ordinary share and diluted earnings per ordinary share have been calculated by reference to a profit of £3,622,000 (1999 - £2,881,000) on ordinary activities after taxation.

In the basic earnings per ordinary share calculation, the weighted average number of shares in issue is 26,784,363 (1999 - 26,102,308). In diluted earnings per share calculation, the weighted average number of shares in issue is calculated as follows:

	2000	1999
Weighted average number of ordinary shares	26,784,363	26,102,308
Dilution potential of ordinary shares under option	723,035	275,183
Dilution potential of contingent shares	861,732	-
Diluted weighted average number of ordinary shares	28,369,130	26,377,491

13 Intangible Fixed Assets

	Goodwill £'000
Cost:	
At 1 January 2000	-
Transferred from joint ventures and associates	1,895
Acquisitions of subsidiary undertakings	19,102
At 31 December 2000	20,997
Amortisation:	
At 1 January 2000	-
Provided during the year	277
At 31 December 2000	277
Net Book value at 31 December 2000	20,720
Net book value at 1 January 2000	-

Goodwill arising on the acquisition of Venner Television Ltd, Mentorn Group Limited and Global Television Services Limited is being amortised evenly over its presumed useful economic life of 20 years.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

14 Tangible fixed assets

	GROUP				COMPANY		
	Short leasehold premises £'000	Equipment and furniture £'000	Motor vehicles £'000	Total £'000	Short leasehold premises £'000	Equipment and furniture £'000	Total £'000
Cost:							
At 1 January 2000	746	38,450	156	39,352	45	707	752
Additions	174	6,309	-	6,483	-	157	157
On acquisition of subsidiaries	418	5,464	49	5,931	-	-	-
Disposals	-	(2,658)	-	(2,658)	-	-	-
At 31 December 2000	1,338	47,565	205	49,108	45	864	909
Depreciation:							
At 1 January 2000	219	24,604	118	24,941	45	297	342
Acquisition of subsidiaries	7	3,724	32	3,763	-	-	-
Charge for the year	13	3,471	20	3,504	-	89	89
Disposals	-	(2,424)	-	(2,424)	-	-	-
At 31 December 2000	239	29,375	170	29,784	45	386	431
Net book value:							
At 31 December 2000	1,099	18,190	35	19,324	-	478	478
At 1 January 2000	527	13,840	38	14,411	-	410	410

Included in Group equipment and furniture is equipment held under finance leases with a net book value of £5,982,000 (1999 - £881,000).

15 Investments

Group

		2000 £'000	1999 £'000
Joint Ventures (a)		(5)	(25)
Associates (b)		(132)	2,392
Other fixed asset investments (c)		202	61
		<u>65</u>	<u>2,428</u>
(a) Joint ventures		£'000	£'000
At 1 January 2000		(25)	20
Share of loss retained by joint ventures		(35)	(45)
Transfer to subsidiary undertaking		55	-
At 31 December 2000		<u>(5)</u>	<u>(25)</u>
(b) Associates			
	Share of net assets/(liabilities) £'000	Goodwill £'000	Total £'000
At 1 January 2000	(1,059)	3,451	2,392
Additions	-	-	-
Share of loss retained	(440)	-	(440)
Amortisation of goodwill	-	(134)	(134)
Transfer to subsidiary undertaking	1,286	(3,236)	(1,950)
At 31 December 2000	<u>(213)</u>	<u>81</u>	<u>(132)</u>
(c) Other fixed asset investments			Unlisted £'000
Cost:			
At 1 January 2000			61
Additions			80
Acquired with subsidiary undertaking			61
At 31 December 2000			<u>202</u>

Investments**Company**

	Subsidiary undertakings £'000	Joint ventures and associates £'000	Unlisted investments £'000	Total £'000
Costs:				
At 1 January 2000	3,923	2,733	61	6,717
Additions	930	-	80	1,010
Transfer re subsidiaries acquired	2,623	(2,623)	-	-
At 31 December 2000	<u>7,476</u>	<u>110</u>	<u>141</u>	<u>7,727</u>

Details of the principal investments in which the Group and the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings			
Molinare Limited*	Ordinary shares	100%	Provision of edit and transmission facilities
Sunset+Vine Productions Limited	Ordinary shares	100%	Programme production and distribution
Sunset+Vine Mobiles Limited	Ordinary shares	100%	Provision of outside broadcast facilities
Visions Limited*	Ordinary shares	100%	Provision of outside broadcast facilities
Music Box Limited	Ordinary shares	100%	Programme production
Sunset+Vine North Limited	Ordinary shares	100%	Programme production
Mentorn Group Limited	Ordinary Shares	100%	Programme production and distribution
Global Television Services Limited	Ordinary Shares	100%	Provision of outside broadcast facilities
Venner Television Limited	Ordinary Shares	100%	Programme production
* Indirectly held			
Associates			
Supercatz Promotions Limited	Ordinary shares	50%	Promotion of powerboat racing projects
Other unlisted investment, incorporated in the United States			
Pacifica Media Affiliates Inc.	Ordinary shares	50%	Provision of audio post production facilities

Acquisitions**Global Television Services Limited ('Global')**

On 23rd of June 2000 the Group acquired the remaining 67% of the share capital of Global. The total consideration for the shares was £2. Additionally £424,999 was paid to each of the other two shareholders for the assignment of loans to The Television Corporation plc. The directors consider the effective date of the acquisition to be 1 April 2000. At this date all trading activities were merged with those of Visions Limited, and control was transferred to the directors of Visions Limited. The results of Global have been consolidated from this date.

The book values of the assets and liabilities of Global at acquisition and the fair value adjustments required in recognition of the change of ownership are as follows:

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value £'000
Tangible assets	1,903	(524) (a)	1,379
Debtors	265		265
Cash	445		445
Creditors due within 1 year	(370)		(370)
Creditors due after 1 year	(2,409)	550 (b)	(1,859)
Net liabilities acquired	166	(26)	140
Transferred from joint ventures			(55)
Consideration payable			-
Cost of acquisition			<u>23</u>
Goodwill on acquisition			<u>108</u>

(a) Adjustment reducing book value of tangible fixed assets to reflect their value in use to the Group.

(b) Reduction in the value of loans to reflect market value.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

Venner Television Limited ('Venner')

On 1 July 2000 the Group acquired Venner for an initial consideration of £320,000. In addition, deferred consideration up to £2,680,000 is payable, contingent on the profits before tax of Venner for the years ending 31 December 2000, 2001, 2002 and 2003.

The directors consider that the book value approximated to the fair value. The assets acquired are set out below.

	£'000
Fixed assets	23
Debtors	150
Creditors due within 1 year	(195)
Net liabilities	(22)
Cash consideration paid	320
Consideration payable in shares (provisional)	706
Costs of acquisition	45
Goodwill on acquisition	1,093

Mentorn Group Limited (and its subsidiary undertakings) not previously owned ('Mentorn')

On 5 October 2000 the Group acquired the remaining 50% of the ordinary share capital of Mentorn and its subsidiary undertakings for deferred consideration of up to £22.45m payable, contingent on the profits before tax of Mentorn for the years ending 31 December 2000, 2001 and 2002.

Mentorn was previously accounted for as an associate undertaking. In accordance with FRS 2 goodwill has been calculated based on the difference between the fair value of the consideration and the fair value of the assets acquired. Mentorn has been accounted for under the acquisition method of accounting.

The directors consider that the book value approximated to the fair value. The assets acquired are set out below:

	£'000
Fixed assets	835
Current assets	
Stock	28
Debtors	11,187
Cash	1,351
	12,566
Creditors due within one year	15,152
Creditors due after more than one year	85
Provisions	921
Total net liabilities	2,757
Transferred from associates	2,080
Consideration payable in shares (provisional)	14,719
Costs of acquisition	370
Goodwill on acquisition	19,926

The results of Mentorn Group Limited prior to its acquisition were as follows:

	1 August 1999 to 30 September 2000 £,000	Year ended 31 July 1999 £'000
<i>Profit and loss account</i>		
Turnover	21,233	18,304
Operating loss	(1,061)	(2,384)
Net interest	(291)	(242)
Profit on disposal of investment	-	3,620
(Loss)/profit on ordinary activities before taxation	(1,352)	994
Taxation on profit from ordinary activities	-	(1,021)
(Loss) for the period	(1,352)	(27)

There were no recognised gains or losses other than the losses for the period/year.

16 Debtors

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Trade debtors	8,639	7,289	2,325	2,052
Amounts owed by subsidiary undertakings	—	—	9,976	9,177
Amounts owed by associates and investments	6,478	3,128	6,478	3,128
Other debtors	334	244	82	191
Loan notes	5,707	—	—	—
Prepayments and accrued income	3,808	1,680	1,546	739
	<u>24,966</u>	<u>12,341</u>	<u>20,407</u>	<u>15,287</u>

Included in Company debtors are amounts due from subsidiary undertakings of £8,164,000 (1999 – £8,164,000) which fall due for payment after more than one year.

Included in Group debtors are amounts due from Investments of £4,349,000 (1999 – £2,401,000) which fall due for payment in more than one year.

17 Creditors: amounts falling within one year

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Bank overdraft	14,768	3,428	3,959	1,587
Bank loan (secured)	5,413	517	738	517
Amounts owed to subsidiary undertakings	—	—	362	342
Trade creditors	1,632	2197	277	408
Other creditors	960	677	242	538
Finance lease creditor	1,426	458	1,024	—
Corporation tax	766	611	453	308
Other taxes and social security	1,596	895	—	—
Accruals and deferred income	5,104	1,957	1,767	1,350
Dividends	855	787	855	787
	<u>32,520</u>	<u>11,527</u>	<u>9,677</u>	<u>5,837</u>

18 Creditors: amounts falling due after more than one year

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Bank loan (secured)	425	413	425	413
Loan notes	1,327	1,327	1,327	1,327
Finance lease creditor	2,646	736	2,521	582
	<u>4,398</u>	<u>2,476</u>	<u>4,273</u>	<u>2,322</u>

The bank loan is secured by a floating charge over certain of the Group's assets

19 Financial instruments

The Group operates a centralised policy to manage interest rate risk. Operations are funded by a mixture of retained profits, bank borrowings, finance leases and loan notes. Long term loans, finance leases and loan notes are used to finance capital investment. All long-term borrowings are at interest rates based on either Barclays Bank base rate or LIBOR. Working capital requirements are met out of floating rate overdrafts and retained profits.

Currency risk

There is no formal policy for matching foreign currency cash flows or matching foreign currency net assets though the positions are monitored closely by the Board. The Group currency exposure at the year end is £6,081,000 (1999 – £2,416,000) and is primarily Sterling to the US Dollar.

Liquidity risk

In planning the maturity of debt, the Group's policy is to ensure a balance between continuity of funding and flexibility.

The interest rate profile of the Group is shown below:

	Floating rate borrowing	
	2000 £'000	1999 £'000
Sterling	25,550	6,831
US Dollar	455	413
	<u>26,005</u>	<u>7,244</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

	Bank borrowing		Finance leases		Loan notes	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
In one year or less	20,181	3,945	1,426	458	-	-
In more than one year but not more than two years	283	413	526	519	-	-
In more than two years but not more than five years	142	-	2,120	217	1,327	1,327

The Group has loan notes receivable of £5,707,000 guaranteed by Barclays Bank, interest is payable based on the LIBOR rate. The Group also has cash balances of £6,743,000 held on short term deposit. The Group maintains significant cash balances to allow it to manage liquidity risk effectively, at 31 December 2000 the Group had undrawn bank facilities expiring within one year of £420,000 (1999 - £450,000).

Bank borrowings are both overdraft at a floating rate and loans based on the Barclays Bank base rate and LIBOR rate. Finance leases are at a rate based upon Barclays Bank base rate. The loan notes were issued as part of the consideration to purchase 50% of the ordinary share capital of Mentorn Group Limited. They are redeemable in 2005 and interest is based on the Barclays Bank base rate.

The Dollar loan represents a partial hedge against a loan to Pacifica Media Affiliates Inc. a company incorporated and operating in the United States.

Short-term debtors and creditors are not treated as financial assets and liabilities for numerical disclosures under FRS 13 other than numerical currency risk.

There is no material difference between the book values of the Group's financial assets and liabilities and fair values. The Group does not hold any derivative financial instruments.

20 Provision for liabilities and charges

	2000 £'000	Restated 1999 £'000
Deferred tax	2,568	1,391
Other provisions	220	526
	<u>2,788</u>	<u>1,917</u>
<i>Other provisions</i>		
Balance at 1 January 2000 as previously stated	-	-
Prior year adjustment (note 2)	526	
As restated	526	
Amounts used in the year	(306)	
Balance at 31 December 2000	<u>220</u>	
<i>Deferred tax</i>		
Deferred tax brought forward	80	
Prior year adjustment	1,311	
As restated	1,391	
Provision in respect of accelerated capital allowances	252	
Amount arising on the acquisition of a business*	925	
Deferred tax carried forward	<u>2,568</u>	

Deferred tax balances at 31 December 1999 have been restated to reflect the revised accounting policy on deferred tax, which is set out in note 1. Under FRS 19 deferred tax is recognised in respect of all timing differences. The net effect is to increase the deferred tax provision by £2,488,000.

*The deferred tax arising on the acquisition of a business relates to a capital gain on the sale of shares.

21 Share capital and reserves

	2000 £'000	1999 £'000
<i>Authorised share capital</i>		
44,000,000 (1999 - 33,650,000) ordinary shares of 5p each	<u>2,200</u>	<u>1,683</u>

22 Reserves

<i>Group</i>	Number	Share capital allotted called-up and fully paid £'000	Shares to be issued £,000	Share premium account £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 1999	26,034,291	1,302	-	13,427	(117)	14,612
Prior year adjustment (note 2)	-	-	-	-	(1,343)	(1,343)
Shares issued	215,168	10	-	579	-	589
Costs of share issues	-	-	-	(1)	-	(1)
Retained profit for year	-	-	-	-	1,703	1,703
At 1 January 2000	26,249,459	1,312	-	14,005	243	15,560
Prior year adjustment (note 2)	-	-	-	-	(494)	(494)
As restated	-	-	-	-	(251)	15,066
Shares issued	8,750	-	-	15	-	15
Shares to be issued after year end	3,446,927	-	15,425	-	-	15,425
Retained profit for year	-	-	-	-	2,347	2,347
	<u>29,705,136</u>	<u>1,312</u>	<u>15,425</u>	<u>14,020</u>	<u>2,096</u>	<u>32,853</u>

The total cumulative amount of goodwill eliminated against reserves is £5,586,000

<i>Company</i>	Number	Share capital allotted called-up and fully paid £'000	Share premium account £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 1999	26,034,291	1,302	13,427	758	15,487
Prior year adjustment (note 2)	-	-	-	(526)	(526)
Shares issued	215,168	10	579	-	589
Costs of share issues	-	-	(1)	-	(1)
Retained loss for year	-	-	-	(100)	(100)
At 1 January 2000 (restated)	26,249,459	1,312	14,005	132	15,449
Shares issued	8,750	-	15	-	15
Shares to be issued after the year end	3,446,927	172	-	-	172
Retained profit for the year	-	-	-	316	316
	<u>29,705,136</u>	<u>1,484</u>	<u>14,020</u>	<u>448</u>	<u>15,952</u>

A total of 8,750 shares were issued for cash consideration of £15,313 to satisfy options exercised during the year.

Shares to be issued after the year end are the directors' estimate of the consideration payable, in shares, for the acquisitions of Venner Television Limited and Mentorn Group Limited. The amount payable is contingent on the performance of those companies. The relative amounts provided are; Venner Television 157,765 shares, Mentorn Group 3,289,162 shares. The amounts provided will be reviewed after each year.

Options to subscribe for ordinary shares of 5p each have been granted to directors and employees of the Group. Outstanding options at 31 December 2000 are as follows:

Date of grant	Shares under option	Exercise price	Exercisable between
15 April 1997	61,250	175p	16/4/00 and 16/4/07
30 April 1998	914,000	230p	30/4/01 and 30/4/08
10 September 1998	45,000	190p	10/9/01 and 10/9/08
24 March 1999	10,000	290p	24/3/02 and 24/3/09
12 September 1999	150,000	294p	12/9/02 and 12/9/09
4 April 2000	212,000	442.5p	4/4/03 and 4/4/10
28 September 2000	35,000	400p	28/9/03 and 28/9/10

23 Profit attributable to members of the parent Company

The profit for the year attributable to members of the parent Company was £1,591,000 (1999 - £1,078,000).

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

24 Commitments

Operating lease commitments

The annual payments to which the Group is committed under non-cancellable operating leases for the years following 31 December 2000 are as follows:

	Land and buildings		Other	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
Year of expiry of lease	£'000	£'000	£'000	£'000
Within one year	896	47	1	-
Between two to five years	657	1,490	-	-
After five years	430	-	-	-

Capital commitments

Capital expenditure for which provision has not been made in the accounts is as follows:

	31 December 2000	31 December 1999
	£'000	£'000
Contracted	323	1,594

25 Related party transactions

During the year the Group entered into the following transactions in the ordinary course of business with related parties.

	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	£'000	£'000	£'000	£'000
Vista Productions Limited 2000	-	-	7	-
1999	-	-	7	-
Pacifica Media Affiliates Inc 2000	-	-	6,081	-
1999	-	-	2,416	-
Supercatz Promotions limited 2000	-	-	390	-
1999	-	-	5	-

Vista Productions Limited

The Group has a 50% interest in Vista Productions Limited.

Pacifica Media Affiliates Inc

The Group has a 50% investment in Pacifica Media Associates Inc.

Supercatz Promotions Limited

The Group has a 50% interest in Supercatz Promotions Limited.

On 29 December 2000 the Company acquired from T Bate 10 shares in Liverpool Football Club and Athletic Grounds PLC for £60,000. The valuation was made with reference to a past transaction and the directors believe it to be at arms length.

26 Contingent liabilities

There are contingent liabilities arising from guarantees given by the Company in respect of bank overdrafts of its subsidiaries which at 31 December 2000 amounted to £10,809,000 (1999 - £1,841,000). It has also guaranteed a finance lease of a subsidiary with an outstanding balance at 31 December 2000 of £155,000 (1999 - £612,000).

The Group has guaranteed the overdraft of Pacifica Media Affiliates Inc. At 31 December 2000 this was \$1,000,000.

27 Post balance sheet events

On 2nd January 2001 The Television Corporation plc acquired the entire share capital of Offshore Sports Promotion Limited. The initial consideration amounted to £2.1m which was satisfied by the issue of 475,000 ordinary shares in The Television Corporation plc.

In addition, deferred consideration of up to £15m is payable in The Television Corporation plc shares, contingent on the profits after tax for the financial years ending 31 December 2001, 2002 and 2003 of Offshore Sports Promotions Limited.

On 17 February 2001 the Group acquired an additional 25% of the ordinary share capital of Pacifica Media Affiliates Inc. for \$1,000,000. The total shareholding in Pacifica Media Affiliates Inc. is now 75%.

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