

Notes to the accounts

For the year ended 31 January 2007

1 Turnover and profit on ordinary activities before taxation

Class of business segments

Turnover, which excludes value added tax and transactions between Group companies, represents the sale of television distribution rights.

The Group's headquarters is based in the United Kingdom and its activities form a single class of business, namely television production and exploitation of programme rights. Outside the United Kingdom, sales are generally denominated in US dollars.

Turnover, profit before taxation and net assets are attributable to the following classes of continuing business:

	2007 £000	2006 £000
Turnover		
Production	76,529	43,458
Exploitation of programme rights	22,072	15,608
Other	697	447
	99,298	59,513
Profit before taxation		
Production	14,529	5,985
Exploitation of programme rights	8,333	5,546
Other	311	151
	23,173	11,682
Common costs	(15,987)	(6,607)
Flotation Costs	-	(1,328)
Operating profit	7,186	3,747
Share of operating profits of associates	-	138
Net interest	(125)	80
Group profit before taxation	7,061	3,965
Net assets		
Production	10,902	3,093
Exploitation of programme rights	7,635	4,033
Share of net assets/(liabilities) of associates	77	77
Unallocated assets	7,122	7,382
	25,736	14,585

The analysis of turnover, profit before taxation and net assets by geographical segment have not been disclosed as the directors consider this disclosure would be seriously prejudicial to the interests of the business.

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2007 £000	2006 £000
Auditors' remuneration:		
- Fees payable for the audit of the company's annual accounts	35	32
- Fees payable for the audit of the company's subsidiaries	87	60
- Tax compliance	28	181
- Other advisory services	5	-
Depreciation:		
- Tangible fixed assets, owned	1,164	875
- Tangible fixed assets, held under finance leases	98	100
- Amortisation of purchased goodwill	1,121	146
Other operating lease rentals	1,112	743
Exchange differences	304	(67)

2 Exceptional items

The exceptional item in the prior year arose as a consequence of the flotation of the group on 4 May 2005. The costs reflect certain professional fees and other associated costs directly attributable to the restructuring that arose from the flotation.

3 Net interest

	2007 £000	2006 £000
On bank loans, overdrafts and other loans repayable within five years	382	73
Interest on finance leases	2	12
Interest receivable	(259)	(165)
	125	(80)

4 Staff numbers and costs

Staff costs (including directors) whether charged to cost of sales or overhead during the year were as follows:

	2007 £000	2006 £000
Wages and salaries	18,798	11,337
Social security costs	2,050	1,362
Pension costs	193	66
	21,041	12,765

Included in wages and salaries above is a charge for employee share-based payments of £922,148 (2006: £201,563).

Details of this charge are included in note 20, Share Options.

The average number of employees of the Group during the year was:

	2007 Number	2006 Number
Production	304	209
Administration	178	106
	482	315

Disclosures on Directors' remuneration, including share options are included in the Directors remuneration report described as audited on pages 40 to 41.

5 Tax on profit on ordinary activities

The taxation charge/(credit) represents:

	2007 £000	2006 £000
Corporation tax at 30% (2006: 30%)	2,383	(492)
Adjustments in respect of prior years	(59)	-
Overseas taxation	132	150
	2,456	(342)
Deferred tax movement (note 15)	(84)	1
	2,372	(341)

Notes to the accounts

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below.

	2007 £000	2006 £000
Profit on ordinary activities before tax	7,061	3,965
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	2,118	1,190
Expenses not deductible for tax purposes	428	490
Capital allowances in excess of depreciation	29	7
Other timing differences	(426)	1
Tax deduction in respect of share options exercised	(115)	(1,963)
FRS 20 and share options adjustment	277	-
Chargeable gains	(21)	-
Overseas tax recovered	(132)	(45)
Utilisation of tax losses	224	(130)
Higher rate of tax on overseas profits	132	150
Share of tax charge of associates	-	(45)
Adjustments in respect of prior years	(59)	-
Other	1	3
Current tax charge/(credit) for the year	2,456	(342)

6 Dividend

	2007 £000	2006 £000
Equity dividends:		
Paid during the year		
Ordinary shares - final dividend of 1.9p per share (2006: 48p per share)	685	1,500
Proposed at year end		
final dividend of 3p per share (2006: final dividend of 1.9p per share)	1,168	685

7 Earnings per share

Basic

The basic earnings per share calculations are based on profit on ordinary activities after taxation and minority interests of £4,784,520 (2006: £4,295,000). This profit on ordinary activities after taxation is then divided by the weighted average number of shares in issue, less those non vested shares, which is 37,376,806 (2006: 31,236,346).

Diluted

The diluted earnings per share calculation is based on the basic earnings per share calculation above except that the weighted average number of shares includes all dilutive options granted by the balance sheet date as if those options had been exercised on the first day of the accounting period or the date of the grant, if later, giving a weighted average of 40,431,246 (2006: 33,039,387).

The table below sets out the adjustments in respect of diluted potential ordinary shares:

	2007 Number of shares	2006 Number of shares
Weighted average number of shares used in basic earnings per share calculation	37,376,806	31,236,346
Dilutive share options and shares	3,054,440	1,803,041
Weighted average number of shares used in diluted earnings per share calculation	40,431,246	33,039,387

The adjusted EPS has been calculated to reflect the underlying profitability of the business by excluding the exceptional flotation costs, the effect of goodwill amortisation, FRS 20 share-based payment charge and the share option tax credit.

The diluted adjusted earnings per share calculation has been made to allow shareholders to gain a better understanding of the trading performance of the Group. It is based on the diluted earnings per share calculation above except that profits are adjusted for goodwill amortisation, the FRS 20 share-based payment charge and the after tax effect of exceptional items as follows:

	2007 £000	2006 £000
Profit on ordinary activities after taxation attributable to shareholders	4,785	4,295
Goodwill amortisation	1,121	146
FRS 20 share-based payment	922	201
Tax normalisation	-	(1,570)
Operating exceptional items after tax	-	1,328
Adjusted profit on ordinary activities after taxation	6,828	4,400

	2007 pence	2006 pence
Basic earnings per share	12.8p	13.8p
Effect of amortisation of goodwill	3.0p	0.5p
Effect of FRS 20 share-based payment	2.5p	0.6p
Effect of tax normalisation	-	(5.0p)
Effect of exceptional flotation cost	-	4.2p
Adjusted basic earnings per share	18.3p	14.1p

Diluted earnings per share	11.8p	13.0p
Effect of amortisation of goodwill	2.8p	0.4p
Effect of FRS 20 share-based payment	2.3p	0.6p
Effect of tax normalisation	-	(4.7p)
Effect of exceptional flotation cost	-	4.0p
Adjusted diluted earnings per share	16.9p	13.3p

8 Profit for the financial year

The parent Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Group profit for the year includes a profit of £1,367,566 (2006: £1,378,000 loss) in relation to the Company.

9 Tangible fixed assets

	Production investment £000	Plant & machinery £000	Fixtures & fittings £000	Leasehold premises £000
Group				
Cost				
At 1 February 2006	2,923	272	112	1
Additions	659	220	108	69
Disposals	(89)	(18)	(12)	-
At 31 January 2007	3,493	474	208	70
Depreciation				
At 1 February 2006	2,425	30	32	1
Provided in the year	593	133	47	7
On disposals	(21)	(5)	(7)	-
At 31 January 2007	2,997	158	72	8
Net book amount at 31 January 2007	496	316	136	62
Net book amount at 31 January 2006	498	242	80	-

Notes to the accounts

	Film library £000	Office equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 February 2006	224	3,775	3	7,310
Additions	-	504	42	1,602
Disposals	-	(3)	-	(122)
At 31 January 2007	224	4,276	45	8,790
Depreciation				
At 1 February 2006	224	3,006	3	5,721
Provided in the year	-	477	5	1,262
On disposals	-	(1)	-	(34)
At 31 January 2007	224	3,482	8	6,949
Net book amount at 31 January 2007	-	794	37	1,841
Net book amount at 31 January 2006	-	769	-	1,589

Included in office equipment are assets held under finance lease agreements with a net book value £60,617 (2006: £112,000). The depreciation charge on these assets for the year was £97,747 (2006: £100,000).

Company

The Company has no separate tangible fixed assets.

10 Fixed asset investments

	Other £000	Total £000
Group		
Cost and net book amount		
At 1 February 2006	165	165
Additions	4	4
At 31 January 2007	169	169

	Interests in subsidiary undertakings £000	Other £000	Total £000
Company			
Cost and net book amount			
At 1 February 2006	15,426	165	15,591
Additions	22,187	4	22,191
At 31 January 2007	37,613	169	37,782

At 31 January 2007 the Group and the Company held 50% or more of the equity of the following companies:

Name of company	Country of incorporation	Class of shares held	Proportion held by parent company	Proportion held by group	Principal activity
RDF Media Limited	England and Wales	Ordinary	100%	100%	Production and distribution of films for the television industry
RDF Media USA, Inc	United States of America	Ordinary	100%	100%	Production and distribution of films for the television industry
Argyle Productions Inc	United States of America	Ordinary	100%	100%	Dormant
Pangea Management Group	United States of America	Ordinary	-	100%	Rights exploitation
Clocktower Productions Inc	United States of America	Ordinary	-	100%	Production of programmes for television
Touchpaper Television	England and Wales	Ordinary	100%	100%	Production of programmes and films for the television industry
Radar Productions Limited	England and Wales	Ordinary	60.9%	60.9%	Production of programmes and films for the television industry
IWC Media Limited	Scotland	Ordinary	100%	100%	Production of television programmes and provision of management services to group companies
Wark Clements & Co Limited	Scotland	Ordinary	-	100%	Production of television programmes
Ideal World Productions Limited	England and Wales	Ordinary	-	100%	Production of television programmes
Blobhead Productions Limited	Scotland	Ordinary	-	100%	Sale and Leaseback
Love or Money Limited	Scotland	Ordinary	-	100%	Sale and Leaseback
Ideal World Films Limited	Scotland	Ordinary	-	100%	Non-trading
IW Productions Trustees Limited	Scotland	Ordinary	-	100%	Dormant
Ideal World Facilities Limited	Scotland	Ordinary	-	100%	Dormant
Monogram Productions Limited	Scotland	Ordinary	-	100%	Drama development
Monogram Wark Clements Productions Limited	Scotland	Ordinary	-	100%	Drama development
Russian Bride Limited	England and Wales	Ordinary	-	100%	Sale and leaseback
Grace Films Limited	England and Wales	Ordinary	-	100%	Sale and leaseback
Bait Films Limited	England and Wales	Ordinary	-	100%	Sale and leaseback
Late Night Shopping Limited	Scotland	Ordinary	-	100%	Sale and leaseback
The Comedy Unit Limited	England and Wales	Ordinary	100%	100%	Production of television programmes
The Foundation TV Productions Limited	England and Wales	Ordinary	100%	100%	Production of television programmes
Presentable Limited	England and Wales	Ordinary	100%	100%	Production of television programmes
Late Night Poker Limited	England and Wales	Ordinary	-	100%	Dormant
RDF/IWC USA Limited	England and Wales	Ordinary	100%	100%	Dormant

Notes to the accounts

All of the subsidiary undertakings have been consolidated in the Group financial statements under the acquisition method of accounting.

All of the above companies are subsidiary undertakings by virtue of the Group's exercise of dominant influence over all companies and due to the shareholding structure and management involvement in all companies.

The Group has taken advantage of the Secretary of State's waiver of section 5 of the Companies Act 1985 and accordingly have chosen not to disclose information regarding subsidiary undertakings incorporated or carrying on business outside the UK as, in the opinion of the Directors, this would be seriously prejudicial to the business of the entity.

11 Acquisitions

Goodwill arising on acquisitions comprises:

Name of subsidiary acquired	Purchase price £000	Fair value to the Group £000	Goodwill £000
Presentable Limited (a)	3,492	552	2,940
The Foundation TV Productions Limited (b)	7,687	1,236	6,451
The Comedy Unit Limited (c)	10,103	766	9,337
	21,282	2,554	18,728

At 31 January 2006, deferred consideration of £3,985,000 was provided within the financial statements in relation to the purchase of IWC Media Limited. A further £902,000 has been provided within the financial statements at 31 January 2007. The deferred consideration is payable on IWC's performance conditions set at 31 January 2007. These have now been met and the deferred consideration is payable in shares with immediate effect.

Goodwill is being amortised in regular instalments over 20 years being the estimated useful life.

The purchase price was satisfied by:

	Presentable Limited £000	The Foundation TV Productions Limited £000	The Comedy Unit Limited £000
Shares allotted	1,000	1,000	2,500
Deferred consideration	1,350	3,500	3,450
Initial cash consideration	1,000	3,000	4,000
Acquisition costs	142	187	153
	3,492	7,687	10,103

The deferred consideration of £390,000 for the acquisition of Touchpaper Television in the year ended 31 January 2006 is payable in cash on 9 August 2007

At 31 January 2007, deferred consideration relating to the acquisition of Presentable Limited is payable on performance conditions set at 31 May 2006 and 31 January 2008. The conditions at 31 May 2006 have now been met and profits statements have been agreed and signed off by the Board. The first instalment of shares of £350,000 are therefore due immediately. The final instalment will be payable in shares after the profits statements for the year ending 31 January 2008 have been signed off and agreed by the Board. The range of outcomes of the contingent consideration is based on multiples of profit achieved and is subject to a remaining cap of £3.65m, whilst the current estimate is at £1,000,000.

At 31 January 2007, deferred consideration relating to the acquisition of The Foundation TV Productions Limited is payable on performance conditions set at 31 January 2007, 31 January 2008 and 31 January 2009 and is expected to be paid in shares of £3,500,000 after the profits statements for the periods under review have been signed off and agreed by the Board. The range of outcomes of the contingent consideration is based on multiples of profit achieved and is subject to a remaining cap of £6m. The current estimates are for shares to be payable in instalments of £500,000; £1,400,000 and £1,600,000 due immediately and in January 2008 and 2009 respectively.

At 31 January 2007, deferred consideration relating to the acquisition of The Comedy Unit is payable on performance conditions set at 31 January 2007 and 31 January 2008 and is expected to be paid in cash of £1,150,000 and shares of £2,300,000 once the profits statements for the periods under review have been signed off and agreed by the Board. The range of outcomes of the contingent consideration is based on multiples of profit achieved and is subject to a remaining cap of £4.5m. The current estimates are for cash to be payable in instalments of £400,000 due immediately and £750,000 due in January 2008 and the shares are payable in instalments of £800,000 due immediately and £1,500,000 due in January 2008.

There was no contingent consideration outstanding at 31 January 2007.

(a) Presentable Limited

The fair value of the assets of Presentable Limited acquired by the Group comprises:

	Book value of assets acquired £000	Fair value adjustments £000	Fair value to the Group £000
Fixed assets			
Tangible	54	-	54
Intangible	565	-	565
Current assets			
Work in progress	7	-	7
Debtors	17	-	17
Cash	203	-	203
Liabilities			
Creditors	(294)	-	(294)
	552	-	552

This purchase has been accounted for as an acquisition. In its last financial year to 31 May 2005, Presentable Limited made a profit after tax of £195,604. For the period since then to acquisition on 31 March 2006, Presentable Limited made a profit after tax of £177,690. From the date of the acquisition to 31 January 2007, the acquisition contributed £2,530,772 to turnover and £252,709 to profit after interest and tax.

(b) The Foundation TV Productions Limited

The fair value of the assets of The Foundation TV Productions Limited acquired by the Group comprises:

	Book value of assets acquired £000	Fair value adjustments £000	Fair value to the Group £000
Fixed assets			
Tangible	12	-	12
Current assets			
Debtors	206	-	206
Cash	3,857	-	3,857
Liabilities			
Creditors	(2,839)	-	(2,839)
	1,236	-	1,236

This purchase has been accounted for as an acquisition. In its last financial year to 31 December 2005, The Foundation TV Productions Limited made a profit after tax of £725,722. For the period since then to acquisition on 2 August 2006, The Foundation TV Productions Limited made a profit after tax of £448,121. From the date of the acquisition to 31 January 2007, the acquisition contributed £2,295,959 to turnover and £468,910 to profit after interest and tax.

(c) The Comedy Unit Limited

The fair value of the assets of The Comedy Unit Limited acquired by the Group comprises:

	Book value of assets acquired £000	Fair value adjustments £000	Fair value to the Group £000
Fixed assets			
Tangible	60	-	60
Current assets			
Debtors	231	-	231
Cash	1,150	-	1,150
Liabilities			
Creditors	(675)	-	(675)
	766	-	766

This purchase has been accounted for as an acquisition. In its last financial year to 31 March 2006, The Comedy Unit Limited made a profit after tax of £557,382. For the period since then to acquisition on 31 August 2006, The Comedy Unit Limited made a profit after tax of £122,538. From the date of the acquisition to 31 January 2007, the acquisition contributed £2,704,870 to turnover and £499,211 to profit after interest and tax.

Notes to the accounts

The summarised profit and loss account for the three companies from the start of their financial year to the date of acquisition is as follows:

	Presentable £000	Foundation £000	Comedy Unit £000
Turnover	747	3,399	1,745
Profit before taxation	256	516	96
Taxation	79	68	30

The summarised statement of total recognised gains and losses for the period from the start of their financial year to the date of acquisition is as follows:

	Presentable £000	Foundation £000	Comedy Unit £000
Profit for the period	177	448	66
Foreign exchange differences	-	-	-
Total recognised gains and losses for the period	177	448	66

The profit after tax and dividends of Presentable for the 8 month financial period ended 31 January 2007 was £154,899, the loss after tax and dividends of the Foundation for the 13 month period ended 31 January 2007 was £1,970,814 and the loss after tax and dividends of the Comedy Unit for the 10 month period ended 31 January 2007 was £68,486.

The subsidiary undertakings acquired during the year made the following contributions to, and utilisations of, group cashflow:

	Presentable Limited £000	The Foundation TV Productions Limited £000	The Comedy Unit Limited £000
Net cash inflow/(outflow) from operating activities	1,192	(2,078)	77
Returns on investment and servicing of finance	12	(988)	(732)
Capital expenditure	(10)	(2)	(1)
Financing	-	(325)	(213)
Increase/(decrease) in cash	1,194	(3,393)	(869)

12 Intangible assets

	Website £000	Purchased goodwill £000	Goodwill on consolidation £000	Negative goodwill £000	Total goodwill £000
Group					
Gross book value					
At 1 February 2006	-	2,158	12,545	(43)	14,660
Additions in the year	5	565	19,630	18	20,218
At 31 January 2007	5	2,723	32,175	(25)	34,878
Amortisation					
At 1 February 2006	-	-	147	(1)	146
Charge for the year	1	28	1,092	-	1,121
At 31 January 2007	1	28	1,239	(1)	1,267
Net book amounts					
At 31 January 2007	4	2,695	30,936	(24)	33,611
At 31 January 2006	-	2,158	12,398	(42)	14,514

13 Stocks and work in progress

	2007 £000	2006 £000
Work in progress	13,598	9,270

14 Debtors

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade debtors	25,216	18,226	-	-
Corporation tax	-	-	172	-
Amounts owed by Group undertakings	-	14	1,100	-
Amounts owed by related parties	250	13	100	-
Other debtors	235	1,569	1	1
Prepayments and accrued income	1,035	645	98	146
Deferred tax asset (note 15)	195	111	-	-
	26,931	20,578	1,471	147

Included within trade debtors are balances of £5,426,244 due in more than one year (2006: £358,217).

15 Deferred taxation

	Group 2007 £000	Group 2006 £000
Timing difference in respect of capital allowances and depreciation:		
At 1 February 2006	111	109
Amount recognised during period	84	2
At 31 January 2007	195	111

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

16 Creditors: amounts falling due within one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank loan and overdraft	-	796	-	-
Trade creditors	3,052	3,368	-	2
Corporation tax	1,410	64	-	-
Amounts owed to Group Companies	-	-	9,594	2,818
Social security and other taxes	2,940	1,884	-	-
Other creditors	1,129	1,083	-	-
Deferred consideration on acquisition of subsidiaries	4,766	2,935	4,766	2,935
Accruals and deferred income	30,702	22,914	54	51
Amounts due under finance leases	-	46	-	-
	43,999	33,090	14,414	5,806

The bank loans and overdraft are secured by a fixed and floating charge over the Group's assets.

At 31 January 2006, two bank loans amounting to £795,000 were received to finance specific programme production costs and were repaid on delivery of the programmes and reimbursement from the broadcasters.

Amounts due under finance leases are secured by a fixed and floating charge on the assets to which they relate.

17 Creditors: amounts falling due after more than one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank loan and overdraft	7,000	5,000	7,000	5,000
Deferred consideration on acquisition of subsidiary	6,250	1,830	6,250	1,830
	13,250	6,830	13,250	6,830

18 Financial instruments

The Group holds financial instruments to manage the interest rate and currency risks arising from its operations and its sources of finance. The Group finances its operations by a mixture of cash flows from operations and short-term borrowings from banks.

The risks are managed by the chief financial officer under policies approved by the board, which are summarised below. The main risks arising from the Group's financial instruments are interest rate risk, liquidity and refinancing risk, counterparty risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

The Group borrows sterling, at floating rates of interest and uses derivatives, principally structured collars, currency swaps and forward foreign currency contracts to manage currency risks arising from the Group's operations. All transactions in forward foreign currency contracts are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Treasury management

The treasury department operates within policies approved by the board and its procedures are reviewed regularly. Major transactions are authorised outside the department at the requisite level, and there is an appropriate segregation of duties. Frequent reports are made to the chief financial officer and regular reports are prepared for the board.

Interest rate risk and use of Interest rate derivatives

The Group finances its operations through a mixture of advances from broadcasters, retained profits and bank borrowings. Generic bank borrowings and cash deposit accounts are held at variable interest rates based on Barclays' base rate. Specific borrowings to finance production costs where broadcasters do not provide advances are held at either variable interest rates based on LIBOR calculated on each drawing by reference to the drawdown period, or as a fixed fee as part of a co-producer agreement. Interest income and costs are therefore dependent upon the funding requirements of the Group and the prevailing market interest rates. The Group's exposure to interest rate fluctuations on its borrowings is managed by borrowing on a floating rate basis and by entering into structured collar agreement.

The Group's policy objective is to set a target range of its forecast borrowings (taken at the year end, with cash netted against floating rate debt) to be hedged (i.e. fixed or capped) over the next two years, subject to a maximum of 80% and a minimum that starts at 50%. At the end of 31 January 2007 the hedging ratio was approximately 71%.

Liquidity and refinancing risk

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held at call with banks, and bank overdrafts. As at 31 January 2007 there were no overdraft positions.

The Group's objective is to secure continuity of funding at a reasonable cost. The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group manages liquidity risk by a combination of controls:

- regular reviews at board level of cash flow projections and headroom position in respect of banking facilities
- maintaining reasonable gearing levels across the Group
- ensuring overdraft and short-term borrowing facilities are readily accessible for short-term flexibility. At 31 January 2007 the average maturity of gross borrowings was 2 years and the bank provided £15m (100%) of these borrowings.

The Group will continue to use internally a range of ratios to monitor and manage its finances. These include interest cover, net debt to operating profit and cash flow to debt measures. At 31 January 2007 the facility amounted to £15m.

Borrowing facilities

As at 31 January 2007, in addition to bank balances of £6,760,894 (2006: £8,411,000), the Group had a revolving credit facility of £15,000,000. The undrawn element of this bank overdraft facility, which expires within two years, amounted to £8,000,000 (2006: £9,205,000).

Maturity of financial liabilities

The Group financial liabilities analysis at 31 January 2007 was as follows:

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
In less than one year or on demand:				
- Bank and other borrowings	-	796	-	-
- Finance leases	-	46	-	-
Between one and two years:				
- Bank and other borrowings	7,000	5,000	7,000	5,000
	7,000	5,842	7,000	5,000

Currency risk

The Group is based in the UK and has investments in overseas operations. The most significant currencies for the Group are the US Dollar and the Euro.

The Group has an overseas subsidiary operating in USA whose revenues and expenses are denominated in US dollars. Where the Group is anticipating receipts in US dollars in excess of expenses, forward contracts are put in place.

In addition, about 70% of the Group's sales from exploitation of programme rights are to customers in continental Europe and other foreign markets. These sales are priced and invoiced in the currencies of the customers involved or in US dollars. Where the Group has debtors denominated in US Dollars from the exploitation of programme rights, forward contracts are set up as far as it is practicable to do so in respect of the expected timing of receipts. The Group's policy on routine transactional conversions between currencies (for example, the collection of receivables, and the settlement of payables or interest) is that these should be completed at the relevant spot exchange rate. The majority of our operations are domestic within their country of operation. No unremitted profits are hedged with foreign exchange contracts, as the company judges it inappropriate to hedge non-cash flow translational exposure with cash flow instruments.

The tables below show the extent to which the Group has monetary assets and liabilities in currencies other than pounds sterling, which is regarded as the functional currency of the Group. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group.

	Group 2007 £000	Group 2006 £000
Net foreign currency monetary assets		
US Dollar	4,630	2,801
Euro	1,753	1,134
Other currencies	2,248	1,747
	8,631	5,682

The amounts shown in the table above take into account the effect of any forward contracts entered into to manage these currency exposures.

Fair values

The fair value of the Group's financial instruments is considered to be approximate to their carrying value.

Counterparty risk

The Group's risk of loss on deposits or derivative contracts is limited to the lender bank and it is managed by use of counterparty limits. These limits are approved by the chief financial officer within guidelines approved by the board.

Interest rate profile of financial assets and liabilities**Financial assets**

The Group's financial assets comprise cash held in current accounts, on which there was no interest receivable.

Financial liabilities

	Total 2007 £000	Floating rate financial liabilities 2007 £000	Fixed rate financial liabilities 2007 £000	Financial liabilities on which no interest is payable 2007 £000	Total 2006 £000	Floating rate financial liabilities 2006 £000	Fixed rate financial liabilities 2006 £000	Financial liabilities on which no interest is payable 2006 £000
Sterling	7,000	7,000	-	-	5,842	5,796	46	-
At the end of the year	7,000	7,000	-	-	5,842	5,796	46	-

Interest due on floating rate liabilities is based on LIBOR.

19 Share capital Group and Company

	2007 £000	2006 £000
Authorised:		
70,000,000 ordinary shares of 0.01p each (2006: 70,000,000 ordinary shares of 0.01p each)	700	700

Allotted, called up and fully paid:

38,769,872 ordinary shares of 0.01p each (2006: 35,581,007 ordinary shares of 0.01p each)	388	356
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20 Share options

The Group has a share option scheme for Directors and employees. Details of options granted are as follows:

	2007 Number	2006 Number
Prior to consolidation		
Options in issue immediately prior to float		1,021,076
Exercised on float		(739,229)
Options remaining immediately after float		281,847
Effective consolidation 8:1 as at 13 March 2005		2,254,776
Options in issue at 1 February 2006	3,543,785	
Granted	2,101,934	1,462,296
Exercised	(200,000)	(4,000)
Lapsed	(868,981)	(169,287)
Options in issue at 31 January 2007	4,576,738	3,543,785
Range of exercise prices: on flotation	12.5p-100p	12.5p-100p
Range of exercise prices: granted since flotation	148p-240.5p	148p-160p
Exercisable up to	1 Oct 2018	1 Oct 2018

The weighted average exercise price of share options was as follows: outstanding at 1 February 2006 £0.64, granted in the year £1.85, exercised in the year £0.50, lapsed in the year £1.51, and at 31 January 2007 £1.04.

Share based payments

The Group's share option scheme provides for an exercise price equal to the market price of the Group's shares at the date of granting. The vesting period ranges from the date of grant to up to three years, and is most typically two years. If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, if an employee leaves the Group before their options vest, the options are forfeited at the date of leaving.

A charge has been made in the year of £922k (2006: £201k) to reflect the fair value to the Group of issuing employee share options. This charge has been calculated by applying a fair value to the options issued and spreading that charge evenly over the vesting period, which is typically 2 years from issue. The fair value applied has been calculated using the Black-Scholes model and the weighted average inputs to the model are as follows:

	31/1/2007 Options issued in year	31/1/2006 Options issued in year	15/3/2005 Options issued at time of float
Expected life (years)	6.00	6.08	6.00
Share price (£)	2.09	1.553	0.306
Strike price (£)	1.98	1.078	0.350
Volatility	25.4%	11.2%	38.4%
Dividend yield	0.92%	1.22%	0.0%
Risk free interest rate	4.55%	4.28%	4.78%
Number of options granted in the period and remaining outstanding at the end of the year	2,037,120	78,549	2,071,656

The expected volatility has been calculated by looking at historic movements up to the date of grant in the Group's return index, which amounts to share price plus dividends, over the period since listing. For those options issued on 15 March 2005, at the time of flotation, the expected volatility was based on the median volatility of a FTSE Small Cap company. The FTSE Small Cap was selected because it comprises, on the whole, larger companies than on AIM, which are more similar in size to the Group.

Using this method of calculation the weighted average fair value of shares issued during the year is £0.69 (2006: £0.38).

The liability held at 31 January 2006 of £201k, recognised under UITF17, has been transferred to reserves in line with the implementation of FRS20.

21 Share premium account and reserves Group

	Merger reserve (restated) £000	Share premium account (restated) £000	Profit and loss account £000
At 1 February 2006	2,566	3,652	8,011
Profit for the year	-	-	4,785
Equity dividend paid	-	-	(685)
FRS 20 share-based payment	-	-	1,122
Exchange differences	-	-	(201)
Premium on issue of new shares	5,971	127	-
At 31 January 2007	8,537	3,779	13,032

Company

	Merger reserve (restated) £000	Share premium account (restated) £000
At 1 February 2006	2,540	3,652
On shares issued in the year	5,971	127
At 31 January 2007	8,511	3,779

The share premium reserve and merger reserve at 31 January 2006 have been restated. Where ordinary shares are issued as consideration for the purchase of subsidiaries in which the group hold a 90% interest or above, any excess between issued value and nominal value is credited to the merger reserve. The adjustment has no effect upon the profit reported at 31 January 2006.

The following is the movement in shares, share capital and share premium during the year:

	Number of shares	Share capital £	Premium share £
As at 1 February 2006	35,581,007	355,810	6,191,823
Shares issued on acquisition of Presentable Limited on 31 March 2006 at £2.31 per share	433,652	4,337	995,663
Shares issued on acquisition of Foundation TV Productions Ltd on 2 August 2006 at £1.76 per share	567,860	5,679	994,321
Shares issued on acquisition of The Comedy Unit Ltd on 30 August 2006 at £2.04 per share	1,228,502	12,285	2,487,715
Shares issued as deferred consideration for IWC Media Ltd on 1 October 2006 at £2.01 per share	746,413	7,464	1,492,828
Issue of new shares from exercise of options	200,000	2,000	98,000
Issue of new shares	12,438	124	29,876
	38,769,872	387,699	12,290,226

22 Reconciliation of movements in shareholders' funds

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Profit/(Loss) for the financial year	4,785	4,295	1,368	(1,378)
Appropriation of profit	(685)	(1,500)	(685)	-
	4,100	2,795	683	(1,378)
FRS 20 share-based payment	1,122	-	-	-
Exchange differences	(201)	141	-	-
	5,021	2,936	683	(1,378)
Shares issued	32	356	32	356
Premium on issue of shares	6,098	4,268	6,098	4,268
Net increase in shareholders' funds	11,151	7,560	6,813	3,246
Shareholders' funds at 1 February 2006	14,585	7,025	5,170	1,923
Shareholders' funds at 31 January 2007	25,736	14,585	11,983	5,170

23 Net cash inflow from operating activities

	Group 2007 £000	Group 2006 £000
Operating profit	7,186	3,747
Depreciation	1,262	975
Amortisation of goodwill on investment	1,121	146
FRS 20 share-based payment charge	922	-
Increase in stocks and work in progress	(4,321)	(2,293)
Increase in debtors	(5,811)	(4,167)
Increase in creditors	4,918	3,904
Decrease in provisions	-	(18)
Net cash inflow from operating activities	5,277	2,294

24 Reconciliation of net cash flow to movement in net (debt)/funds

	Group 2007 £000	Group 2006 £000
(Decrease)/Increase in cash in the year	(1,650)	3,001
Cash inflow from financing	(1,204)	(5,212)
Cash outflow from finance leases	46	112
Change in net funds resulting from cash flows	(2,808)	(2,099)
Effect of foreign exchange changes	-	-
Movement in net debt in the year	(2,808)	(2,099)
Net funds at 1 February 2006	2,569	4,668
Net (debt)/ funds at 31 January 2007	(239)	2,569

25 Analysis of changes in net (debt)/funds

	At 31/1/06 £000	Cashflow £000	At 31/1/07 £000
Cash in bank and in hand	8,411	(1,650)	6,761
Debt	(5,796)	(1,204)	(7,000)
Finance leases	(46)	46	-
	2,569	(2,808)	(239)

26 Capital commitments

The Group and Company had no capital commitments as at 31 January 2007 or 31 January 2006.

27 Contingent liabilities

At 31 January 2007, the Group and Company were subject to a cross-company guarantee in respect of all bank borrowings. In addition, there were contingent liabilities in respect of the sale and leaseback transactions in note 28 below. There were no other contingent liabilities as at 31 January 2007 or 31 January 2006.

28 Significant transactions

Prior to 31 January 2007 the Group entered into certain sale and leaseback transactions of television programme rights. Funds received from these transactions are held in deposit accounts and comprise monies to provide for the full discharge of future leasing liabilities. The banks with which these sums are deposited have given guarantees to the lessors in respect of the lease liabilities. The contingent liability should only crystallise upon the failure of the bank holding the deposit.

The amounts involved are as follows:

	2007 £000	2006 £000
Amounts held on deposit	15,332	16,202
Less: capital element of leasing liabilities outstanding	(15,332)	(16,202)
	-	-

The maturity of the above amounts is as follows:

	2007 £000	2006 £000
In one year or less	938	807
Between one and five years	5,212	4,257
In five years or more	9,182	11,138
	15,332	16,202

29 Leasing commitments

Operating lease payments amounting to £1,608,245 (2006: £1,024,842) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings 2007 £000	Other 2007 £000	Land and buildings 2006 £000	Other 2006 £000
In one year or less	88	-	40	3
Between one and five years	395	11	142	15
In five years or more	1,111	3	825	-
	1,594	14	1,007	18