

Granada (Management) Limited

**Directors' report and financial
statements**

Registered number 229607

30 September 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2000.

Principal activity

The principal activity of the company is to provide management services for other companies within the Granada Group. The company will continue to provide these management services for the foreseeable future.

Results and dividends

The results for the period are set out on page 6 of these financial statements.

The directors do not recommend the payment of an equity dividend (1999: £915,000).

A preference dividend of £nil (1999: £89) has been paid.

Directors

The directors during the period were as follows:

GJ Parrott
 JB Tibbitts

Directors' interests in shares and share options

No directors held any beneficial interests in the share capital of the company.

The interests of GJ Parrott in the shares and share options of Granada plc (formerly Granada Compass plc) (the ultimate parent undertaking) and of Granada Media plc are disclosed in the accounts of Granada Group PLC which is the highest company in the group structure that has prepared audited consolidated accounts to 30 September 2000.

The interests of JB Tibbitts are as follows:

	Granada plc Ordinary Shares of 10p As at 30 September 2000	Granada Group PLC Ordinary shares at 12.5p As at 30 September 2000	As at 25 September 1999	Granada Media plc Ordinary shares of 2.5p As at 30 September 2000
JB Tibbitts	24,220	-	14,552	3,000

Following the merger of Granada Group PLC and Compass Group plc in July 2000, ordinary shares of Granada Group PLC were converted into ordinary shares of Granada plc at an exchange rate of one ordinary shares of Granada Group PLC to 0.7547 ordinary shares of Granada plc.

Directors' report

Directors' interests in shares and share options (*continued*)

The interest of JB Tibbitts in share options are as follows:

	Number of options during the year		At end of year	Exercise price pence	Market price at date of exercise pence	Exercise period
	At start of year	Granted Exercised				
In Granada Group PLC						
1994 Scheme	74,000		74,000	-	247.00	
1994 Scheme	14,000		14,000	-	248.50	
1994 Scheme	20,000		20,000	-	307.50	
1994 Scheme	39,000		39,000	-	429.75	
1994 Scheme	7,000		7,000	-	436.25	
1994 Scheme	12,000		12,000	450.00		July 2000 – Jan 2001
1994 Scheme	20,722		20,722	468.50		July 2000 – Jan 2001
1998 Scheme	19,278		19,278	468.50		July 2000 – Jan 2001
1998 Scheme		40,000	40,000	542.50		July 2000 – Jan 2001
SAYE Scheme	3,377		3,377	499.60		July 2000 – Jan 2001
	<u>209,377</u>	<u>40,000</u>	<u>154,000</u>	<u>95,377</u>		
In Granada Media plc						
	-	144,854	-	144,854	515.00	July 2003 – July 2010

All rights under the various Granada Group PLC ordinary shares options schemes became exercisable as a result of the merger. Any Granada Group PLC ordinary shares acquired on exercise of rights under the Granada Group PLC share option schemes will be converted immediately on exercise into ordinary shares of Granada plc at an exchange ratio of one Granada Group PLC ordinary share to 0.7547 ordinary shares of Granada plc.

On 1 February 2001 Granada plc demerged its hospitality business into Compass Group PLC, a newly listed company. Shareholders of Granada plc received an additional share in Compass Group PLC for each share in Granada plc that they held. On the same date, externally held shares in Granada Media plc were cancelled and shareholders received shares in Granada plc in consideration for the cancellation. The ratio which Granada Media plc shares were effectively exchanged for Granada plc shares was 1.8365 Granada plc shares for each Granada Media plc share.

In addition to the above, JB Tibbitts was granted on 11 July 2000 awards over ordinary shares in Granada Media plc under the terms of the Granada Media Deferred Share Award Plan. Detailed information in respect of the plan and other share schemes is set out in the accounts of Granada Media plc.

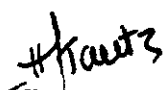
	Awarded during the period	At 30 September 2000	Release date
JB Tibbitts	17,476	17,476	8,738 on 11 July 2001 8,738 on 11 July 2002

Directors' report

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc shall therefore continue in office.

By order of the board


H. Tautz
Secretary

The London Television Centre
Upper Ground
London
SE1 9LT

23.7. 2001

Statement of directors' responsibilities

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

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

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



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB

Auditors' report to the members of Granada (Management) Limited

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board 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 regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 the company's affairs as at 30 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 July 2001

Profit and loss account

for the year ended 30 September 2000

	Note	2000 £000	1999 £000
Turnover	2	13,485	24,100
Staff costs	3	(7,815)	(7,038)
Depreciation		(803)	(821)
Other operating costs	4	(26,660)	(12,737)
Operating (loss)/profit	5	(21,793)	3,504
Costs of a fundamental reorganisation		(6,912)	-
(Loss)/profit on ordinary activities before interest		(28,705)	3,504
Interest payable		(773)	(905)
Income from investment	7	2,150	915
(Loss)/profit on ordinary activities before taxation		(27,328)	3,514
Tax on profit on ordinary activities	8	7,666	(732)
(Loss)/profit for the financial period		(19,662)	2,782
Dividends payable	9	-	(915)
Retained (loss)/profit for the financial period		(19,662)	1,867
Retained profit brought forward		4,394	2,527
Retained (loss)/profit carried forward		(15,268)	4,394

The company has no recognised gains or losses other than the loss for the year. All income and expenditure is derived from continuing activities.

Balance sheet

at 30 September 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible fixed assets	10	3,117	5,091
Investments	11	12	12
		<u>3,129</u>	<u>5,103</u>
Current assets			
Debtors	12	23,924	12,625
Cash at bank and in hand		-	60
Creditors: amounts falling due within one year	13	<u>(42,318)</u>	<u>(13,391)</u>
Net current liabilities		<u>(18,394)</u>	<u>(706)</u>
Net (liabilities)/assets		<u>(15,265)</u>	<u>4,397</u>
Capital and reserves			
Called up share capital	15	3	3
Profit and loss account		<u>(15,268)</u>	<u>4,394</u>
Shareholders' funds		<u>(15,265)</u>	<u>4,397</u>
Equity	16	(15,267)	4,395
Non-equity	16	2	2
		<u>(15,265)</u>	<u>4,397</u>

These financial statements were approved by the board of directors on 23.7.2001 and were signed on its behalf by:



J. Parrott
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidated financial statements

In accordance with Section 228 of the Companies Act 1985, consolidated financial statements are not presented since the company is a wholly owned subsidiary undertaking of Granada Media plc.

Depreciation

Depreciation is provided so as to write off the cost of tangible fixed assets on a straight line basis at the following rates:

Equipment, fixtures and fittings	-	7 2/3% to 33 1/3%
Motor vehicles	-	25% to 33 1/3%
Leasehold refurbishments	-	5%

Deferred taxation

Provision is made for the effect of timing differences between the accounts and tax treatments of certain items of revenue and expense to the extent that it is probable that a liability or asset will crystallise.

Operating leases

The rental paid under operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

Pension scheme

Contributions to the Granada Group Pension Scheme (see note 17) are charged against profits as payments are made.

Cash flow statement

The company is exempt under section 5(a) of Financial Reporting Standard 1 (Revised 1996) from the requirement to prepare a cash flow statement. Its cash flows are included in the consolidated cash flow statement in the financial statements of Granada Media plc.

Related party transactions

The company is a wholly owned subsidiary of Granada Media plc, whose consolidated accounts are publicly available. Consequently it has taken advantage of the exemption granted by Financial Reporting Standard 8: Related Party Disclosures and has not disclosed transactions with entities that are part of the group or investees of the group.

Notes (continued)

2 Turnover

Turnover, which arose wholly in the United Kingdom, represents the invoiced amounts of services provided during the period and is stated net of Value Added Tax. An analysis of turnover is shown below:

	2000 £000	1999 £000
Management fees receivable from group undertakings	13,485	24,100

3 Staff costs

	2000 £000	1999 £000
Wages and salaries	6,961	6,357
Social security costs	802	642
Pension and other costs	52	39
	7,815	7,038

4 Other operating costs

	2000 £000	1999 £000
Costs incurred by the company on behalf of employees exercising share options	20,794	7,546
Auditors remuneration	5	5
Operating lease costs	744	474
Other expenses	5,117	4,712
	26,660	12,737

Notes *(continued)*

5 Profit on ordinary activities before taxation

2000	1999
£000	£000

*Profit on ordinary activities before taxation is shown
 after charging the following in addition to other operating costs:*

Depreciation of tangible fixed assets	(803)	821

6 Directors' emoluments

2000	1999
£000	£000

Emoluments	490	479

The emoluments of the highest paid director were £307,000 (1999: £303,000).

The details of the accrued annual pension entitlement earned by the highest paid director, GJ Parrott, and the related notes, are disclosed in the accounts of Granada Group PLC which is the highest company in the group structure that has prepared audited consolidated accounts to 30 September 2000.

7 Income from investments

2000	1999
£000	£000

Dividends received	2,150	915

8 Tax on profit on ordinary activities

2000	1999
£000	£000

Taxation based on the results of the year		
Corporation tax at 30% (1999: 30%)	7,682	780
Deferred taxation (note 14)	(16)	(13)
Over provision relating to prior year	-	(35)
	7,666	732

Notes (continued)

9 Dividends

	2000 £000	1999 £000
<i>Equity shares</i>		
Paid and proposed final dividend	-	915
	2000 £	1999 £
<i>Non-equity shares</i>		
Cumulative preference dividend	-	89

10 Tangible fixed assets

	Leasehold refurbishments	Equipment, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000
<i>Cost</i>				
At 25 September 1999	1,557	5,084	1,023	7,664
Additions	15	196	442	653
Disposals	-	(327)	(312)	(639)
Write-down	(1,572)	(972)	-	(2,544)
At 30 September 2000	-	3,981	1,153	5,134
<i>Accumulated depreciation</i>				
At 25 September 1999	275	1,733	565	2,573
Charge for the period	79	469	255	803
Disposals	-	(328)	(218)	(546)
Write-down	(354)	(459)	-	(813)
At 30 September 2000	-	1,415	602	2,017
<i>Net book value</i>				
At 30 September 2000	-	2,566	551	3,117
At 25 September 1999	1,282	3,351	458	5,091

During the year the company Granada assigned the leasehold of Stornoway House to Compass Group PLC and as such it has been necessary to write down all leasehold improvements and fixtures and fittings for this property to nil.

Notes (continued)

11 Investments

	Group undertakings £	Other investments £	Total £
Shares			
Cost:			
At 25 September 1999 and 30 September 2000	102	15,000	15,102
Provisions:			
At 25 September 1999 and 30 September 2000	-	(3,600)	(3,600)
Net book value			
At 25 September 1999 and 30 September 2000	102	11,400	11,502

At 30 September 2000 the company had an interest in excess of 5% of the unlisted equity share capital of the following companies, all of which are incorporated in Great Britain and registered in England and Wales.

Name of company	Country of incorporation	Principal activity	Class and percentage of shares held
Granada World Productions Limited	UK	Dormant	100% of ordinary shares
Kinematograph Equipment Co Limited	UK	Dormant	15 % of ordinary shares

In the opinion of the directors the value of the company's investment in group undertakings is not less than the amount at which they are stated in the balance sheet.

Notes (continued)

12 Debtors

	2000 £000	1999 £000
Amount owed by parent undertakings	2,010	-
Amounts owed by fellow subsidiary undertakings	-	-
Amounts owed by subsidiary undertakings	11,900	11,900
Other debtors	1,689	200
Prepayments and accrued income	20	248
Deferred tax due after more than one year (see note 14)	293	277
Corporation tax debtor	8,012	-
	23,924	12,625

13 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans and overdraft	36,309	-
Trade creditors	611	-
Amounts owed to parent undertakings	-	9,229
Amounts owed to fellow subsidiary undertakings	-	-
Corporation tax payable	-	901
Social security costs	422	821
Accruals and deferred income	4,976	2,440
	42,318	13,391

14 Deferred tax asset

	2000 £000	1999 £000
Brought forward	277	264
Profit and loss account (see note 8)	16	13
Carried forward	293	277

The asset represents the full effect of timing differences between the tax and accounts treatment of certain items of accrued expenditure.

Notes (continued)

15 Share capital

	2000 £000	1999 £000
<i>Authorised</i>		
12,500 ordinary shares of 5p each	1	1
12,500 4.2% cumulative preference shares of £1 each	12	12
	13	13
<i>Allotted, called up and fully paid</i>		
12,500 ordinary shares of 5p each	1	1
2,130 4.2% cumulative preference shares of £1 each	2	2
	3	3

16 Reconciliation of movements in shareholder's funds

	2000 £000	1999 £000
Opening shareholder's funds	4,397	2,530
(Loss)/profit for the financial year	(19,662)	1,867
Closing shareholder's funds	(15,265)	4,397

17 Pensions

The company participates in defined benefit pension schemes operated by Granada Group PLC that are externally funded under separate trusts. Valuations of the fund are carried out approximately every three years, the last actuarial assessment being made as at 1 October 1998. That report disclosed that the funds of the scheme were adequate to meet all obligations of the schemes. Particulars of the actuarial valuations of the group schemes are contained in the financial statements of Granada Group PLC.

Notes (continued)

18 Operating leases

At 30 September 2000 the company had annual commitments under operating leases as follows:

	Land and buildings 2000 £000	Other operating leases 2000 £000	Total 2000 £000	Land and buildings 1999 £000	Other operating leases 1999 £000	Total 1999 £000
Operating leases which expire:						
Within one year	-	-	-	-	24	24
Between one and five years	74	28	102	-	-	-
More than five years	646	-	646	544	-	544
	<u>720</u>	<u>28</u>	<u>748</u>	<u>544</u>	<u>24</u>	<u>568</u>

19 Contingent liabilities

The company, under Group registration, is jointly and severally liable for Value Added Tax due by other group companies. At 30 September 2000, this contingent liability amounted to £37 million (1999: £45 million). No valuable security has been provided for this contingent liability.

The company is jointly and severally liable, with certain other members of the group, to Barclays Bank PLC in respect of borrowing on the Granada Group joint bank account.

20 Ultimate holding company

Granada (Management) Limited is a wholly owned subsidiary of Granada Media plc, a company registered in England and Wales.

The company's ultimate holding company is Granada plc (formerly Granada Compass plc) which is incorporated in Great Britain and registered in England and Wales.

Granada plc has not yet produced audited consolidated accounts. The largest group in which the results of the Company are consolidated is that headed by Granada Group PLC. The consolidated accounts of this company are wavailable to the public from The Secretary, The London Television Centre, Upper Ground, London SE1 9LT.