

**Granada Group PLC**

**Directors' report and financial  
statements**

Registered number 00290076

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 company's principal activity is to act as a holding company. As a result of the transactions described below, the company now only owns investments in media businesses.

### Results for the year and dividends

The results for the year are set out on page 8 of these financial statements.

An interim dividend of 3.39 pence per ordinary share was paid on 16 March 2001. Dividends on the 7.5 pence (net) convertible preference share capital were paid on 31 January 2000. A final dividend of 15.51p per ordinary share is proposed.

### Principal transactions and post balance sheet events

On 17 May 2000, the boards of Granada Group PLC ("Granada Group") and Compass Group PLC announced that they had agreed the terms of merger, to be followed by a demerger within twelve months. The proposal was designed to create two focused groups:

- Compass Hospitality, comprising Granada's hospitality division and Compass Group's existing businesses; and
- Granada Media, based on Granada Group's existing media division.

On 28 June 2000 Granada Group sold its television and video consumer rental business to Boxclever Technology Limited, a joint venture with Thorn UK and on 11 July 2000 Granada Group floated Granada Media plc ("Granada Media") on the London Stock Exchange by way of an offering of a 20% interest in the company to institutional shareholders. This left Granada Group with an 80% interest in Granada Media.

On 27 July 2000, Granada Group and Compass Group PLC merged to form Granada Compass plc ("Granada Compass"). All of the existing share capital of Granada Group was cancelled and shareholders received Granada Compass shares on the following bases:

For each ordinary share 0.7547 Granada Compass ordinary shares;

For each preference share 0.515 Granada Compass ordinary shares.

The capital of Granada Group was then restated to its former amount and the credit arising in the books of Granada Group as a result of the cancellation was applied in paying up in full new Granada Group ordinary and preference shares which were issued to Granada Compass. Granada Group became a subsidiary of Granada Compass. All rights under the Granada Group share option schemes became exercisable as a result of the merger. Any Granada Group ordinary shares acquired on exercise under the Granada Group share option schemes were converted immediately on exercise into ordinary shares of Granada Compass on the same bases as set out above. As part of the reorganisation the hospitality division was transferred from Granada Group to Hospitality Holdings Limited a fellow subsidiary of Granada Compass.

On 1 February 2001 Granada Compass demerged its hospitality business into Compass Group PLC, a newly listed company. Granada Compass changed its name to Granada plc. Shareholders of Granada plc received one additional share in Compass Group PLC for each share in Granada plc that they held. On the same date, shares in Granada Media plc were cancelled and shareholders received 1.8455 new shares in Granada plc for every Granada Media share they held in consideration for the cancellation. When options become exercisable under the Granada Media plc share option schemes they will be converted to Granada plc shares on the same bases.

Post balance sheet events are described in Note 32 of these financial statements.

## Directors' report *(continued)*

### Directors

The following served as directors of the company during the period:

Charles Allen	
John Ashworth	(resigned 3 August 2000)
Richard Clothier	(resigned 3 August 2000)
Michael Orr	(resigned 3 August 2000)
Graham Parrott	
Nigel Rich	(resigned 10 July 2000)
Gerry Robinson	(resigned 1 February 2001)
Stephanie Monk	(resigned 1 February 2001)
Henry Staunton	

No director had any interest in any contract with the company or its subsidiary undertakings except as disclosed in these financial statements.

### Directors' interests

Shareholdings in the ordinary share capital of Granada Group PLC, Granada Media plc and Granada plc beneficially owned by persons who as at 30 September 2000 were directors of the company and their family interests and trusts of which their families are beneficiaries are as follows:

	Granada Group PLC Ordinary shares of 12.5p		Granada Media plc Ordinary shares of 2.5p		Granada plc Ordinary shares of 10p	
	As at 30 September 2000	As at 30 September 1999	As at 30 September 2000	As at 30 September 1999	As at 30 September 2000	As at 30 September 1999
Charles Allen	-	70,260	582,524	-	402,474	-
Graham Parrott	-	28,992	87,378	-	138,515	-
Gerry Robinson	-	601,744	-	-	884,631	-
Stephanie Monk	-	30,828	-	-	124,824	-
Henry Staunton	-	148,738	500,000	-	287,398	-

In addition the following directors held options and awards under share schemes as follows:

	As at 30 September 1999	Number granted in the year ended 30 September 2000	Number exercised/vested in the year ended 30 September 2000	Number lapsed in the year ended 30 September 2000	As at 30 September 2000
<b>Granada Group PLC shares</b>					
<i>Granada Group PLC Savings Related Share Option Scheme</i>					
Charles Allen	3,377	-	-	-	3,377
Graham Parrott	3,377	-	-	-	3,377
Stephanie Monk	1,939	-	-	-	1,939
Henry Staunton	3,377	-	-	-	3,377
<i>Granada Group PLC 1994 Executive Option Scheme</i>					
Charles Allen	1,059,400	-	-	-	1,059,400
Graham Parrott	421,800	-	(388,000)	-	33,800
Gerry Robinson	1,491,800	-	-	-	1,491,800
Stephanie Monk	406,600	-	(257,000)	-	149,600
Henry Staunton	500,400	-	-	-	500,400

## Directors' report (continued)

### Directors' interests (continued)

	As at 30 September 1999	Number granted in the year ended 30 September 2000	Number exercised/vested in the year ended 30 September 2000	Number lapsed in the year ended 30 September 2000	As at 30 September 2000
<i>Granada Group PLC</i>					
<i>Performance Share Plan</i>					
Charles Allen	513,419	-	(513,419)	-	-
Graham Parrott	180,199	-	(180,199)	-	-
Gerry Robinson	642,703	-	(642,703)	-	-
Stephanie Monk	163,055	-	(163,055)	-	-
Henry Staunton	250,725	-	(250,725)	-	-
<i>Granada Group PLC</i>					
<i>Restricted Share Plan</i>					
Charles Allen	-	92,000	(92,000)	-	-
Graham Parrott	-	21,000	(21,000)	-	-
Gerry Robinson	-	114,000	(114,000)	-	-
Stephanie Monk	-	11,000	(11,000)	-	-
Henry Staunton	-	47,000	(47,000)	-	-
<i>Granada Group PLC</i>					
<i>Deferred Share Award Plan</i>					
Charles Allen	-	166,281	(166,281)	-	-
Graham Parrott	-	56,341	(56,341)	-	-
Gerry Robinson	-	193,995	(193,995)	-	-
Stephanie Monk	-	50,806	(50,806)	-	-
Henry Staunton	-	89,043	(89,043)	-	-
<i>Granada Group PLC</i>					
<i>1998 Executive Option Scheme</i>					
Charles Allen	-	629,370	-	-	629,370
Graham Parrott	-	213,251	-	-	213,251
Gerry Robinson	-	734,265	-	-	734,265
Stephanie Monk	-	192,300	-	-	192,300
Henry Staunton	-	337,027	-	-	337,027
<b>Granada Media plc shares</b>					
<i>Granada Media plc</i>					
<i>Executive Share Option Scheme</i>					
Charles Allen	-	228,565	-	-	228,565
Graham Parrott	-	77,445	-	-	77,445
Henry Staunton	-	122,397	-	-	122,397
<i>Granada Media plc</i>					
<i>Deferred Share Award Plan</i>					
Charles Allen	-	262,136	-	-	262,136
Graham Parrott	-	88,820	-	-	88,820
Henry Staunton	-	140,374	-	-	140,374
<i>Granada Media plc</i>					
<i>Commitment Scheme (options)</i>					
Charles Allen	-	1,572,813	-	-	1,572,813
Graham Parrott	-	355,281	-	-	355,281
Henry Staunton	-	842,241	-	-	842,241
<i>Granada Media plc</i>					
<i>Commitment Scheme (awards)</i>					
Charles Allen	-	1,572,813	-	-	1,572,813
Graham Parrott	-	355,281	-	-	355,281
Henry Staunton	-	842,241	-	-	842,241

## **Directors' report** *(continued)*

### **Properties**

Note 12 to the financial statements gives details of the valuations of the Group's operating properties as at the balance sheet date.

### **Donations**

Grants and charitable donations totalling £1 million were paid during the year *(1999: £1 million)*. There were no political contributions.

### **Employment policies**

The employment policies of the Group embody the principles of equal opportunity and are tailored to meet the needs of its different businesses and the local areas in which they operate. This includes suitable procedures to support the Group's policy that disabled persons (whether registered or not) shall be considered for employment and subsequent training, career development and promotion to encourage diversity in the workplace.

In support of Granada's commitment to best practice in employment, the Group is an active member of organisations such as The Employers Forum on Disability, The Employers Forum on Age, Race for Opportunity and Project Full-employ, all of which promote minority interests to encourage diversity in the workplace.

Since 1996 Granada has adopted a policy of encouraging each business, together with its employees, to create communication, consultation and involvement groups so ensuring that each employee has a role in receiving and giving feedback on those matters that are important to all our employees. Management and employees in all Granada companies have joint responsibility for maintaining a regular dialogue on matters of local significance and on those transnational issues that affect them. It is the Group's policy to communicate information on corporate issues, including financial information, at least twice a year via the management of each business and through employee reports and periodic company newsletters. This commitment to involve more employees in the consultation, communication and involvement groups reflects our philosophy of encouragement and participation in the success of our business and the important part that each employee plays in our long term success.

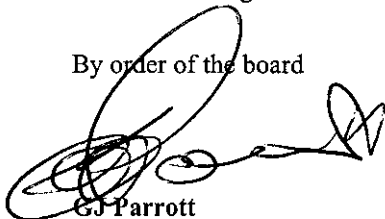
### **Creditor payment policy**

The company's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not follow any code or standard on payment practice. The number of days' purchases outstanding for payment by the company as at 30 September 2000 was 35 days *(1999: 27 days)*.

**Auditors**

A resolution for the re-appointment of KPMG Audit Plc as auditors to the company will be proposed at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'G.J. Parrott', written over a circular stamp or seal.

G.J. Parrott  
*Director*

The London Television Centre  
Upper Ground  
London  
SE1 9LT

## 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 Group and of the profit or loss 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and to prevent and detect fraud and other irregularities.





KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB

## Report of the auditors to the members of Granada Group PLC

We have audited the financial statements on pages 8 to 45.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 6, 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 audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group as at 30 September 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.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

11 August 2001

## Consolidated profit and loss account

for the year ended 30 September 2000

Note	Total before digital media and exceptional items 2000 £m	Digital media and exceptional items (note 7) 2000 £m	Total after digital media and exceptional items 2000 £m	Restated Total before digital media and exceptional items 1999 £m	Restated Digital media and exceptional items (note 7) 1999 £m	Restated Total after digital media and exceptional items 1999 £m
Turnover - continuing operations	1,188	53	1,241	999	11	1,010
Less: share of joint ventures' turnover	(79)	(53)	(132)	-	(11)	(11)
Turnover - discontinued operations	1,974	-	1,974	3,103	-	3,103
<b>Group turnover</b>	<b>3,083</b>	<b>-</b>	<b>3,083</b>	<b>4,102</b>	<b>-</b>	<b>4,102</b>
Group operating costs - continuing operations	866	199	1,065	761	12	773
Group operating costs - discontinued operations	1,555	-	1,555	2,365	18	2,383
<b>Group operating costs</b>	<b>2,421</b>	<b>199</b>	<b>2,620</b>	<b>3,126</b>	<b>30</b>	<b>3,156</b>
Group operating profit - continuing operations	243	(199)	44	238	(12)	226
Group operating profit - discontinued Operations	419	-	419	738	(18)	720
Group operating profit/(losses)	662	(199)	463	976	(30)	946
Share of operating profit/(losses):						
Joint ventures	3	(164)	(161)	-	(76)	(76)
Associates	1	(21)	(20)	(1)	(14)	(15)
Investment income	8	-	8	4	-	4
Exceptional non operating profits:						
Profit on disposal of investments	-	300	300	-	347	347
Profit on disposal of businesses	-	14	14	-	3	3
Profit on disposal of discontinued hospitality businesses	-	1,442	1,442	-	-	-
Profit before interest and tax	674	1,372	2,046	979	230	1,209
Net interest payable and similar Charges	(129)	(21)	(150)	(163)	(5)	(168)
<b>Profit on ordinary activities before Taxation</b>	<b>545</b>	<b>1,351</b>	<b>1,896</b>	<b>816</b>	<b>225</b>	<b>1,041</b>
Tax on profit on ordinary activities	(148)	42	(106)	(217)	36	(181)
<b>Profit on ordinary activities after Taxation</b>	<b>397</b>	<b>1,393</b>	<b>1,790</b>	<b>599</b>	<b>261</b>	<b>860</b>
Minority interests - equity	(14)	40	26	(3)	-	(3)
Minority interests - non-equity	(5)	-	(5)	(6)	-	(6)
<b>Profit for the financial year</b>	<b>378</b>	<b>1,433</b>	<b>1,811</b>	<b>590</b>	<b>261</b>	<b>851</b>
Dividends on equity and non-equity Shares	(369)	-	(369)	(184)	-	(184)
Amount transferred to reserves	9	1,433	1,442	406	261	667

## Consolidated statement of total recognised gains and losses

for the year ended 30 September 2000

	2000 £m	Restated 1999 £m
<b>Profit for the financial year</b>		
Group	1,969	918
Joint ventures	(137)	(55)
Associates	(21)	(12)
	<hr/>	<hr/>
	1,811	851
Unrealised deficit on revaluation of tangible fixed assets	-	(5)
Currency translation differences	(12)	(4)
Unrealised profit on partial disposal of Granada Media	987	-
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the year</b>	2,786	842
Prior year adjustment (as described in basis of accounting)	(31)	(27)
	<hr/>	<hr/>
<b>Total gains and losses recognised since last annual report</b>	2,755	815

## Note on historical cost profits and losses

for the year ended 30 September 2000

	2000 £m	Restated 1999 £m
<b>Profit on ordinary activities before taxation</b>	1,896	1,041
Realisation of property revaluations of previous years	-	(7)
	<hr/>	<hr/>
<b>Historical cost profit on ordinary activities before taxation</b>	1,896	1,034
	<hr/>	<hr/>
<b>Historical cost profit retained after taxation, minority interests, exceptional items and dividends</b>	1,442	660

## Consolidated balance sheet

at 30 September 2000

	Note	2000 £m	£m	Restated 1999 £m	£m
<b>Fixed assets</b>					
Intangible assets - goodwill	11		59		44
Tangible assets	12		215		4,583
Investments	13				
Joint ventures:					
Share of gross assets		23		83	
Share of gross liabilities		-		(81)	
		23		2	
Loans to Joint ventures		264		31	
Associates		38		1	
Other investments		257		134	
			582		168
			856		4,795
<b>Current assets</b>					
Stocks		153		249	
Debtors: amounts falling due within one year	14	4,417		616	
Debtors: amounts falling due after more than one year	15	-		245	
Cash at bank and in hand and short term deposits	18	1,940		323	
		6,510		1,433	
<b>Creditors: amounts falling due within one year</b>					
Borrowings	18	(325)		(476)	
Other creditors	16	(858)		(1,477)	
		(1,183)		(1,953)	
<b>Net current assets/(liabilities)</b>			5,327		(520)
<b>Total assets less current assets/(liabilities)</b>			6,183		4,275
<b>Creditors: amounts falling due after more than one year:</b>					
Borrowings	18	(645)		(1,928)	
Other creditors	17	(20)		(27)	
			(665)		(1,955)
<b>Provisions for liabilities and charges</b>	21				
Interest in net liabilities of joint ventures	13				
Share of gross assets		658		-	
Share of gross liabilities		(952)		-	
		(294)		-	
Other provisions	21	-		(60)	
			(294)		(60)
<b>Net assets</b>			5,224		2,260

**Consolidated balance sheet (continued)**  
*at 30 September 2000*

	<i>Note</i>	<b>2000</b>	<b>Restated 1999</b>
		<b>£m</b>	<b>£m</b>
<b>Capital and reserves</b>			
Called up share capital	22	244	242
Share premium account	24	242	153
Revaluation reserve	24	45	257
Other Reserve	24	987	-
Profit and loss account	24	3,238	1,515
		<hr/>	<hr/>
<b>Shareholders' funds:</b>			
Equity		4,670	2,060
Non-equity		86	107
		<hr/>	<hr/>
		4,756	2,167
<b>Minority interests:</b>			
Equity	30	468	5
Non-equity	30	-	88
		<hr/>	<hr/>
	30	468	93
		<hr/>	<hr/>
		5,224	2,260
		<hr/>	<hr/>

These financial statements were approved by the board of directors on **16 August 2001** and were signed on its behalf by:

  
**Henry Staunton**  
*Director*

## Consolidated cash flow statement

for the year ended 30 September 2000

	Note	2000 £m	Restated 1999 £m
<b>Net cash inflow from operating activities</b>			
Total before digital media and exceptional items and bills of exchange		651	1,022
Digital media and exceptional items		(56)	(40)
Net cash inflow from operating activities	5	595	982
Dividends received from associates		1	2
Returns on investments and servicing of finance:			
Interest received		36	17
Interest paid on bank and other loans		(201)	(192)
Interest paid on finance leases		(7)	(12)
Preference dividends paid to shareholders		(7)	(9)
Dividends paid to minority shareholders in subsidiary undertakings		(4)	(8)
Other items		7	4
		(176)	(200)
		420	784
Taxation		(183)	(213)
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(371)	(465)
Purchase of investments		(364)	(243)
Sale of tangible fixed assets		73	83
Sale of investments		409	419
		(253)	(206)
Acquisitions and disposals:			
Purchase of businesses	25	(62)	(109)
Net cash acquired with purchase of new businesses	25	-	2
Sale of subsidiary undertakings	25	353	20
Net cash disposed on sale of subsidiary undertakings	25	203	(10)
Acquisition of minority interest		(91)	3
Sale of minority interest in Granada Media		1,493	-
		1,896	(94)
Equity dividends paid		(173)	(113)
Net cash inflow before liquid resources/financing		1,707	158
(Purchase)/sale of short term deposits		(1,904)	18
<b>Cash (outflow)/inflow before financing</b>		(197)	176
<b>Financing</b>			
Bank loans and other loans raised		1,409	770
Bank loans and other loans repaid		(1,319)	(787)
Capital element of finance lease payments		(49)	(111)
Issue of ordinary share capital		52	17
Cash inflow from sale and leaseback transaction		19	-
<b>Net cash inflow/(outflow) from financing</b>		112	(111)
<b>(Decrease)/increase in cash in the year</b>	20	(85)	65

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 30 September 2000*

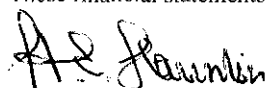
	2000 £m	Restated 1999 £m
(Decrease)/increase in cash in the year	(85)	65
Purchase/(sale) of short term deposits	1,904	(18)
Net borrowings repaid	(90)	(2)
Capital element of finance lease payments	49	111
<b>Movement in net debt resulting from cash flows</b>	<b>1,778</b>	<b>156</b>
Acquisition of subsidiary undertakings' borrowings	(11)	(8)
Transfer from fixed asset investments	(33)	33
Foreign exchange translation difference	(4)	32
New finance leases	(19)	-
Debts of Hospitality businesses sold	1,340	-
<b>Movement in net debt in the year</b>	<b>3,051</b>	<b>213</b>
Opening net debt	(2,081)	(2,294)
<b>Closing net funds/(debt)</b>	<b>970</b>	<b>(2,081)</b>

## Company balance sheet

at 30 September 2000

	Note	2000 £m	1999 £m
<b>Fixed assets</b>			
Investments in subsidiary undertakings	23	973	7,606
Other investments	13	-	264
		<u>973</u>	<u>7,870</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	4,231	714
Debtors: amounts falling due after more than one year	15	-	2
Cash at bank and in hand and short term deposits	18	-	35
		<u>4,231</u>	<u>751</u>
<b>Creditors: amounts falling due within one year</b>			
Borrowings	18	(260)	(1,296)
Other creditors	16	(469)	(308)
		<u>(729)</u>	<u>(1,604)</u>
<b>Net current assets/(liabilities)</b>		<b>3,502</b>	<b>(853)</b>
<b>Total assets less current liabilities</b>		<b>4,475</b>	<b>7,017</b>
<b>Creditors: amounts falling due after more than one year:</b>			
Borrowings	18	(625)	(1,839)
Loans from subsidiary undertakings		-	(3,702)
		<u>(625)</u>	<u>(5,541)</u>
<b>Net assets</b>		<b>3,850</b>	<b>1,476</b>
<b>Capital and reserves</b>			
Called up share capital	22	244	242
Share premium account	24	242	153
Profit and loss account	24	3,364	1,081
		<u>3,764</u>	<u>1,369</u>
<b>Shareholders' funds:</b>			
Equity		3,764	1,369
Non-equity		86	107
		<u>3,850</u>	<u>1,476</u>

These financial statements were approved by the board of directors on 16/8/01 and were signed on its behalf by:



Henry Staunton  
Director



## Accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by revaluations of certain fixed assets and in accordance with applicable accounting standards except as explained in note 6 to the financial statements in respect of pension costs. As permitted by section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the parent company only has not been presented.

The profit and loss account for the year ended 30 September 2000 has been accounted for using FRS 15 "Tangible fixed assets" ("FRS 15") which the Group has adopted for the first time. Under previous accounting standards, in accordance with common practice in the UK hotel industry, no depreciation was provided on freehold properties or properties on leases with twenty years or more to run at the balance sheet date or on integral fixed plant. It was the Company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly the Directors considered that the lives of these assets and residual values (based on prices prevailing at the time of acquisition or subsequent valuation) were such that their depreciation was insignificant. As a result of adopting FRS 15 asset lives and residual values attributable to certain fixed assets have been revised resulting in a depreciation charge on those assets of £30 million (1999: *£nil*). Of this amount £28 million arises in Hospitality and £2 million in Media.

The Group has adopted FRS 16 "Current Tax" for the first time. This standard specifies how current tax, in particular withholding tax and tax credits should be reflected in the financial statements.

Following the issue by the Urgent Issues Task Force of Abstract 24 "Accounting for start-up costs" ("UITF 24"), the Group has written off start-up costs in the hospitality businesses as incurred. The application of this change in accounting policy has been treated as a prior year adjustment to the 1999 results of Hospitality. As a result Hospitality 1999 profit is £3 million lower than previously reported. The cumulative reduction to 1999 profit and loss reserves resulting from the application of UITF 24 is £15 million.

Whilst Granada Media was wholly owned by Granada Group it followed a policy of writing off certain major programme stocks 80% on first transmission and 10% in each of the subsequent two years. In preparation for its IPO Granada Media changed its accounting policy for major programme stocks to 100% write off on first transmission. This resulted in a reduction in profits in the Media division in 1999 of £12 million from that previously reported by Granada Group. This change has been reflected as a prior year adjustment in these results. The cumulative reduction to 1999 profit and loss reserves resulting from this change in accounting policy is £16 million. The impact of the change in accounting policy is to decrease the reported profit for the year by £2 million (1999: £12 million) and at the year end the stock balance and profit and loss reserve is £18 million lower (1999: £16 million).

The prior year adjustment in 1999 reflected additional provisions of £27 million for onerous property leases as a result of the adoption of FRS 12 "Provisions, contingent liabilities and contingent assets".

Other than these changes the Group's accounting policies are the same as those adopted by Granada Group in 1999.

### Basis of consolidation

The Group accounts incorporate the accounts of Granada Group PLC and its subsidiary undertakings. The financial statements have been prepared for the year ended 30 September 2000. The results of businesses acquired during the year are included from the effective date of acquisition. Goodwill arising on acquisitions since 1 October 1999 is capitalised and amortised over their expected useful lives. Goodwill arising on acquisitions up to 30 September 1998 has, in accordance with the transitional arrangements under FRS 10, been charged against reserves. The results of businesses sold during the year, including the hospitality businesses, are included up to the date on which control was relinquished.

The hospitality businesses were sold to Hospitality Holdings Limited a fellow subsidiary of Granada Compass on 27 July 2000. The results of the hospitality businesses have been consolidated in the Group accounts to that date.

## Accounting policies *(continued)*

### Associates and joint ventures

Associate companies are accounted for using the equity method and joint ventures are accounted for using the gross equity method.

### Turnover and income

Turnover is stated exclusive of VAT and consists of sales of goods and services.

### Depreciation

Depreciation is provided to write off the book value less estimated residual value of certain fixed assets on a systematic basis over their estimated future lives. The major categories of fixed assets are depreciated as follows:

Equipment on rental:	
televisions and videos	6 years
satellite	4 years
Vehicles, equipment and fittings	3 to 10 years
Plant & machinery	10 to 15 years
Properties:	
television studios	50 years
leaseholds	Shorter of residual lease term or 50 years
Freehold land	not depreciated
Freehold buildings	up to 50 years
Non-core building assets*	up to 25 years

\*Non-core building assets comprise building surface finishes and services

### Foreign currencies

Overseas trading results are translated into sterling at the average rates of exchange ruling during the financial year. Overseas net assets and UK loans denominated in foreign currencies are translated into sterling at period end rates of exchange. Exchange differences arising on the Group's net investments in overseas subsidiary undertakings and on borrowings in foreign currency financing those investments are dealt with through reserves. Other exchange differences are taken to the profit and loss account.

### Leases

Finance leases are those which transfer substantially all the risks and rewards of ownership to the lessee. Assets held under such leases are capitalised as tangible fixed assets and depreciation is provided where appropriate. Outstanding finance lease obligations, which comprise principal plus accrued interest, are included within creditors. The finance element of the agreements is charged to the profit and loss account over the term of the lease on a systematic basis. All other leases are operating leases. The rentals on such leases are charged to the profit and loss account on a straight line basis over the lease term.

## **Accounting policies** *(continued)*

### **Hospitality stocks**

Stocks comprise goods purchased for re-sale and consumable stores and are valued at the lower of cost and estimated net realisable value.

### **Media stocks - Cost of films and programmes**

Own programme costs are written off in full on first transmission; certain film rights are written off over a number of transmissions. Film and programme costs not yet written off at the balance sheet date are included in stocks at the lower of cost and net realisable value.

### **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 in the foreseeable future.

No deferred taxation is provided in respect of pension credits.

### **Pension costs**

The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries and accounted for as explained in note 6 below.

## Notes

(forming part of the financial statements)

### 1 Turnover, profit before tax and net assets

	Turnover	Profit	Turnover	Profit restated
	2000	2000	1999	1999
	£m	£m	£m	£m
<i>Turnover and profit before tax analysis by division:</i>				
Media	1,087	253	998	251
Other activities - ongoing businesses	22	(10)	1	(13)
Disposed businesses:				
Hospitality	1,734	379	2,744	657
Technology	240	40	359	81
Continuing operations	1,109	243	999	238
Discontinued operations	1,974	419	3,103	738
Group turnover/operating profit before digital media and exceptional items	3,083	662	4,102	976
Share of joint ventures' and associates' profits/(losses)		4		(1)
Investment income:		8		4
Net interest		(129)		(163)
Group turnover and profit before tax, digital media and exceptional items	3,083	545	4,102	816
Digital media and exceptional items (note 7)		1,351		225
Group turnover and profit before tax	3,083	1,896	4,102	1,041
			2000	Restated
			£m	1999
				£m
<i>Net assets analysis by division:</i>				
Media			486	318
Hospitality			-	3,779
Technology			-	283
Other activities			3,730	(40)
			4,216	4,340
Associates			38	1
			4,254	4,341
Net funds/(borrowings)			970	(2,081)
Net assets			5,224	2,260

## Notes (continued)

### 1 Turnover, profit before tax and net assets (continued)

Analysis by geographic origin:	Turnover	Profit	Net assets	Turnover	Profit restated	Net assets restated
	2000 £m	2000 £m	2000 £m	1999 £m	1999 £m	1999 £m
United Kingdom	2,789	624	4,254	3,732	881	3,867
Rest of the World	294	50	-	370	98	474
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,083	674	4,254	4,102	979	4,341
Digital media and exceptional Items (note 7)	-	1,351	-	-	225	-
Net interest	-	(129)	-	-	(163)	-
Net funds/(borrowings)	-	-	970	-	-	(2,081)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>3,083</b>	<b>1,896</b>	<b>5,224</b>	<b>4,102</b>	<b>1,041</b>	<b>2,260</b>

Geographical segmentation of turnover by destination is not materially different from turnover by origin shown above.  
 Turnover above represents sales to third parties.

## Notes (continued)

### 2 Staff costs

	2000 £m	1999 £m
Wages and salaries	605	880
Social security costs	55	80
Pension and other costs (see note 6)	9	5
	<hr/> 669	<hr/> 965

The average number of employees employed by the group during the period was 58,090 (1999: 78,871).

### 3 Remuneration of directors

	2000 £m	1999 £m
Directors' emoluments	3	3

The above table excludes share incentive awards made in respect of the period as set out on pages 2 and 3.

The aggregate of emoluments of the highest paid director was £1,123,000 (1999: £1,069,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £378,000 (1999: £329,000). During the year, the highest paid director exercised share options and received shares under a long term incentive scheme.

	Number of directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<hr/> 5	<hr/> 5
The number of directors who exercised share options was	<hr/> 5	<hr/> 5
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	<hr/> 5	<hr/> 5

## Notes (continued)

### 4 Other operating costs

	2000	2000	2000	Restated	Restated	Restated
	£m	£m	£m	1999	1999	1999
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Staff costs	129	540	669	102	863	965
Depreciation and amortisation	26	132	158	15	161	176
Other operating costs						
Television exchequer levy	88	-	88	77	-	77
Television franchise exchequer bid payment	30	-	30	42	-	42
Operating lease costs:						
- plant and machinery	1	5	6	1	6	7
- other rentals	8	52	60	5	81	86
Listed investment income	(7)	-	(7)	(2)	-	(2)
Gross property rents receivable	-	(6)	(6)	(1)	(9)	(10)
Other	790	832	1,622	534	1,281	1,815
	<u>1,065</u>	<u>1,555</u>	<u>2,620</u>	<u>773</u>	<u>2,383</u>	<u>3,156</u>

Audit fees payable to KPMG Audit Plc were £1 million (1999: £1 million) and fees payable to KPMG Audit Plc and its associates for non-audit services were £4 million (1999: £1 million).

The audit fee payable by the company was £10,500 (1999: £10,500). Non-audit services provided by KPMG Audit Plc and its associates principally comprise advice relating to the IPO of Media and the merger with Compass, and corporation and payroll taxes advice.

Other include production costs include production costs and network schedule costs. Having regard to the special nature of the Group's business, an analysis of operating costs in the manner prescribed by the Companies Act 1985 is not meaningful. In the circumstances, the Directors have, as required by paragraph 3(3) of schedule 4 of the Companies Act 1985, adapted the prescribed format to the requirements of the Group's business.

## Notes (continued)

### 5 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £m Continuing	2000 £m Discontinued	2000 £m Total
Operating profit	243	419	662
Depreciation charges	23	132	155
Amortisation of goodwill	3	-	3
Net book value of ex-rental asset sales	-	24	24
Decrease/(increase) in stocks	3	(10)	(7)
Increase in debtors	(16)	(35)	(51)
Increase/(decrease) in creditors and provisions	18	(153)	(135)
Net cash inflow from operating activities (2000)	274	377	651
	Restated 1999 £m Continuing	Restated 1999 £m Discontinued	Restated 1999 £m Total
Operating profit	238	738	976
Depreciation charges	15	161	176
Net book value of ex-rental asset sales	-	23	23
Increase in stocks	(6)	(13)	(19)
Increase in debtors	(27)	(47)	(74)
Increase/(decrease) in creditors and provisions	11	(71)	(60)
Net cash inflow from operating activities (1999)	231	791	1,022
		2000 £m	1999 £m
Expenditure relating to digital media and exceptional items:			
Operating loss		(199)	(30)
Provision for impairment		8	-
Decrease/(increase) in debtors		124	(3)
Increase/(decrease) in creditors		11	(7)
Net cash outflow from digital media and exceptional items		(56)	(40)

Expenditure relating to exceptional items relates to current year exceptional items.



## Notes (continued)

### 6 Pension scheme

The principal UK pension scheme which covers the majority of employees is the Granada Pension Scheme operated by Granada Group PLC. The scheme is a defined benefit type with assets held in a separate trustee administered fund. This scheme was assessed by William M Mercer Limited, consulting actuaries, as at 1 October 1998 using the projected unit method.

The principal actuarial assumptions adopted were that the annual rate of return on investments would be 2% higher than the annual increase in total pensionable remuneration, 4% higher than the annual increase in present and future pensions and 3.5% higher than the annual increase in dividends. Based on the 1 October 1998 assessment the actuarial value of the assets of the scheme was sufficient to cover 120% of the value of benefits that had accrued to members, after allowing for expected increases in pensionable remuneration. On the recommendation of the actuaries no company contributions will be made to the scheme until at least the next actuarial valuation which is to be carried out as at 1 October 2001. The market value of the scheme's assets as at 1 October 1998 was £1,478 million. Prior to Granada Media's IPO the accounting treatment that was adopted in accordance with Statement of Standard Accounting Practice 24, Accounting for pension costs, was for the actuarial surplus, excluding any amounts which relate to acquisitions, to be spread over the remaining service lives of current employees. This resulted in the recognition of a prepayment of £224 million included in debtors falling due after more than one year as at September 1999.

Actuaries have advised that the significant changes to the composition of the Granada Group will have a material impact on the future position of the main UK scheme. The principal changes relate to the separation of Granada Media from the Hospitality business and the formation of the Boxclever joint venture between Granada Technology and Radio Rentals. Granada Group's Hospitality members and assets are to be transferred to a separate scheme and a new scheme will be introduced for the employees of Boxclever. So far as concerns the residual tranche of the existing scheme, which is to form the continuing scheme for employees of the Company and its subsidiaries, there will be a significant reduction in the ratio of the active members to total membership. The actuaries have advised that this increased maturity will result in the adoption of an investment policy requiring a higher proportion of investment in gilts and bonds, relative to investment in equities, with a corresponding lower future yield assumption than at present applies. This together with the reduced size of the scheme will lead to a material erosion in the scheme surplus and the directors have concluded that it will be necessary to reassess the carrying value of the pension prepayment shown in the balance sheet.

Under normal application of Statement of Standard Accounting Practice 24 the amount by which the scheme surplus upon the completion of the relevant transactions falls short of the then balance sheet prepayment should be recognised over the remaining service lives of the remaining employees in the scheme. However, the projected effect of the approach will be an abnormally high pension charges as a percentage of pensionable pay. In these circumstances the directors have concluded that it would not give a true and fair view to recognise any shortfall in surplus in that manner and consider that the more appropriate treatment is to write down the pension prepayment to reflect the effect of the proposed restructuring on the cost of pension provision. This write down, based on current actuarial advice, was for all of the prepayment associated with the sections of the scheme which are to be retained of £123 million as at 30 September 1999. The total pension prepayment write off of £124 million (including a £1 million credit made in the first half of the year) has been reflected as an exceptional charge.

As a result of the foregoing changes to pensions accounting the net charge for pensions and associated costs for Granada, excluding the exceptional charges of £124 million, was £9 million for the year ended 30 September 2000 (1999:£5 million). Had the prepayment not been written down as described, the net charge for pensions would have been £10 million.

## Notes (continued)

### 7 Digital media and exceptional items

	2000 £m Total	Restated 1999 £m Total
<b>Group operating items</b>		
<i>Digital media</i>	(19)	(14)
<i>Exceptional operating items</i>		
Share of costs of merger with Compass Group Holdings	(56)	-
Write off of SSAP 24 pension prepayment (note 6)	(124)	-
Other	-	(16)
	(180)	(16)
<b>Other items</b>		
<i>Digital media</i>		
Share of associates' losses	(21)	(14)
Share of ONdigital trading losses (Joint ventures)	(145)	(69)
Interest cost of funding ONdigital	(14)	(5)
	(180)	(88)
<i>Non-operating exceptional items</i>		
Share of ONdigital pre trading losses (Joint ventures)	-	(7)
Share of Boxclever reorganisation costs (Joint ventures)	(19)	-
Profit on disposal of investments:		
Sale of direct stake in BskyB	-	347
Sale of indirect stake in BskyB	300	-
Sale of consumer television rental to Boxclever	14	-
Profit on disposal of hospitality businesses to Granada plc	1,442	-
Profit on disposal of business	-	3
Finance costs of merger with Compass Group Holdings	(7)	-
	1,730	343
Digital media:		
Before exceptional items	(199)	(102)
Exceptional items	-	(7)
Total Digital media	(199)	(109)
Other exceptional items	1,550	334
Total Digital media and exceptional items before tax:		
Group	1,536	315
Associates	(21)	(14)
Joint ventures	(164)	(76)
	1,351	225

All digital media and exceptional items relate to continuing operations.

# **Notes (continued)**

## **8 Net interest**

	2000 £m	1999 £m
Interest payable:		
Bank loans and overdrafts	74	119
Other loans	91	60
	<hr/>	<hr/>
	165	179
Interest receivable	(36)	(16)
	<hr/>	<hr/>
Net interest payable before digital media and exceptional items	129	163
<i>Digital media and exceptional items:</i>		
Interest cost of funding investment in ONdigital	14	5
Finance cost of merger	7	-
	<hr/>	<hr/>
Net interest	150	168
<i>Net interest payable in relation to:</i>		
Group	139	168
Joint ventures	11	-
Associates	-	-
	<hr/>	<hr/>
	150	168

## Notes (continued)

### 9 Taxation

	2000 £m	1999 £m
Based on the profit on ordinary activities of the group for the period:		
<i>Corporation tax on ordinary activities before digital media and exceptional items:</i>		
UK corporation tax at 30% (1999: 30.5%)	114	199
Overseas tax	24	26
Deferred tax	1	(6)
Share of tax of associated undertakings	1	-
	<hr/> 140	<hr/> 219
Adjustment to prior years' tax provisions:		
Corporation tax	8	(2)
	<hr/>	<hr/>
Tax on profit on ordinary activities before digital media and exceptional items	148	217
	<hr/>	<hr/>
Corporation tax on digital media		
Group	(7)	(6)
Share of tax of joint ventures	(35)	(25)
	<hr/> (42)	<hr/> (31)
	<hr/>	<hr/>
Corporation tax on exceptional items:		
Group	-	(5)
	<hr/>	<hr/>
	106	181
	<hr/>	<hr/>

## Notes (continued)

### 10 Dividends

	2000 £m	1999 £m
Equity shares:		
Interim dividend of 3.39p (1999: 2.95p) per share paid	63	54
Proposed final dividend of 15.51p (1999: 6.65p) per share,	300	123
	<hr/>	<hr/>
	363	177
Non-equity shares:		
Dividend of 7.5p per share	7	9
Finance credit (FRS 4)	(1)	(2)
	<hr/>	<hr/>
	6	7
	<hr/>	<hr/>
	369	184

### 11 Intangible assets - goodwill

	£m
Group	
<b>Cost</b>	
At 25 September 1999	44
Additions	52
Disposals	(34)
	<hr/>
At 30 September 2000	62
<b>Amortisation</b>	
At 25 September 1999	-
Charge for year	(3)
	<hr/>
At 30 September 2000	(3)
<b>Net book value</b>	
At 30 September 2000	59
	<hr/>
At 25 September 1999	44

**Notes (continued)**

**12 Tangible assets**

Group	Freehold land and buildings £m	Leasehold land and buildings Long £m	Short £m	Vehicles, equipment and fittings Owned £m	Leased £m	Rental assets £m	Total £m
<i>Cost or valuation</i>							
At 25 September 1999	2,001	1,002	509	1,191	43	553	5,299
Currency adjustments	(22)	(13)	(2)	(9)	-	-	(46)
Additions	82	27	24	227	4	24	388
Disposals	(2,008)	(964)	(523)	(1,126)	(1)	(534)	(5,156)
At 30 September 2000	53	52	8	283	46	43	485
<i>Accumulated depreciation</i>							
At 25 September 1999	(3)	(3)	(24)	(389)	(40)	(257)	(716)
Currency adjustments	-	-	(2)	3	(3)	-	(2)
Charge for period	(4)	(4)	(11)	(74)	(2)	(60)	(155)
Disposals	4	2	34	275	-	296	611
Provision for impairment	-	-	-	(8)	-	-	(8)
At 30 September 2000	(3)	(5)	(3)	(193)	(45)	(21)	(270)
<i>Net book value</i>							
At 30 September 2000	50	47	5	90	1	22	215
At 25 September 1999	1,998	999	485	802	3	296	4,583

Operational properties comprising freeholds, long and short leaseholds were externally valued at 2 October 1993 and the directors have incorporated those valuations into the accounts. All such properties, with the exception of Granada Television's studios and its specialist buildings, were valued on an open market for existing use basis. The studios and other specialist buildings were valued on a depreciated replacement cost basis. The valuations were carried out by Messrs Dunlop Heywood and GVA Grimley International Property Advisers.

The technical equipment of Granada Television was revalued at 2 October 1993 by reference to the appropriate Central Statistical Office index.

In accordance with FRS 15, Tangible fixed assets, the company has adopted a policy which will not involve the periodic revaluation of its properties. The carrying value will continue to reflect the amounts arising from the previous revaluation.

The net book value of revalued assets is £46 million (1999: £2,952 million).

## Notes (continued)

### 12 Tangible assets (continued)

On an historical cost basis, these assets would have been included at the following amounts:

	Freehold land and buildings £m	Leasehold land and buildings Long £m	Short £m	Vehicles, equipment and fittings Owned £m	Leased £m	Total £m
Cost	7	6	-	18	6	37
Accumulated depreciation	-	-	-	(18)	(6)	(24)
Net book amount	7	6	-	-	-	13

No deferred tax has been provided on the revaluation of fixed assets as the Group does not intend to dispose of the related properties.

## Notes (continued)

### 13 Investments

	Group £m	Company £m
At 25 September 1999	168	264
Additions	279	38
Disposals	(1)	(303)
Share of attributable (losses)/profit	(158)	1
	<hr/>	<hr/>
At 30 September 2000	288	-
	<hr/>	<hr/>

	Group 2000 £m	Company 2000 £m	Group 1999 £m	Company 1999 £m
<i>Analysis of balance at 30 September 2000</i>				
At cost	547	-	269	263
Attributable reserves	(259)	-	(101)	1
	<hr/>	<hr/>	<hr/>	<hr/>

Total investments	288	-	168	264
	<hr/>	<hr/>	<hr/>	<hr/>

Unlisted:

Joint ventures	(7)	-	33	147
Associated undertakings	38	-	1	6
Trade investments	34	-	23	-

Investments listed:

- London Stock Exchange	122	-	111	111
- on other exchanges	60	-	-	-
ESOP shares	41	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Total investments	288	-	168	264
	<hr/>	<hr/>	<hr/>	<hr/>

	Group 2000 £m	Company 2000 £m	Group 1999 £m	Company 1999 £m
<i>Market value of listed investments:</i>				
Seven Network	83	-	-	-
Scottish Media Group	148	-	105	105
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes (continued)

### 13 Investments (continued)

	Joint ventures 2000 £m	Joint ventures 1999 £m
Group share of joint ventures		
Fixed assets	460	36
Current assets	221	47
	<hr/>	<hr/>
Share of gross assets	681	83
	<hr/>	<hr/>
Current borrowings	(682)	(33)
Other current liabilities	(270)	(48)
Long term borrowings	-	-
Other long term liabilities	-	-
	<hr/>	<hr/>
Share of gross liabilities	(952)	(81)
	<hr/>	<hr/>
Share of net (liabilities)/assets	(271)	2
Loans to joint ventures	264	31
	<hr/>	<hr/>
	(7)	33

The principal subsidiary undertakings of the Company at 30 September 2000, all of which are wholly owned (directly and indirectly) and incorporated and registered in England and Wales except where stated, are:

Name	Registered office
Granada Media plc++	The London Television Centre, Upper Ground, London SE1 9LT
Granada Media Group Ltd	The London Television Centre, Upper Ground, London SE1 9LT
Granada Television Ltd	Quay Street, Manchester M60 9EA
LWT (Holdings) Ltd	The London Television Centre, Upper Ground, London SE1 9LT
London Weekend Television Ltd	The London Television Centre, Upper Ground, London SE1 9LT
Yorkshire Tyne-Tees Television Holdings Ltd	The Television Centre, Leeds, Yorkshire LS3 1JS
Yorkshire Television Ltd	The Television Centre, Leeds, Yorkshire LS3 1JS
South Bank Television Holdings Limited	The London Television Centre, Upper Ground, London SE1 9LT
Tyne-Tees Television Holdings Ltd	The Television Centre, City Road, Newcastle-upon-Tyne NE1 2AL
Tyne-Tees Television Ltd	The Television Centre, City Road, Newcastle-upon-Tyne NE1 2AL
Castlefield Properties Ltd	Quay Street, Manchester M60 9EA
Granada Learning Ltd	The Television Centre, Kirkstall Road, Leeds LS3 1JS
Letts Educational Ltd	BPP House, Aldine Place, 142-144 Uxbridge road, London W12 8AA
Granada Media Australia Pty Ltd*	33 Nott Street, Port Melbourne, Victoria, Australia
Artist Services Pty Ltd*	33 Nott Street, Port Melbourne, Victoria, Australia
Granada UK Rental & Retail Ltd	The London Television Centre, Upper Ground, London SE1 9LT
3sixtymedia Ltd	The London Television Centre, Upper Ground, London SE1 9LT

## Notes (continued)

### 13 Investments (continued)

The Group's principal investments are:

Name	Note	% owned		Principal activity
		2000	1999	
Scottish Media Group**	c	18.10	18.10	Management activities for holding companies and television broadcasting in central and north Scotland
Independent Television News Ltd	a	20.00	20.00	Supply of news services to broadcasters in the UK and elsewhere
ONDigital Holdings Ltd	b	50.00	50.00	Holding company for digital and terrestrial television broadcasting
ONDigital plc	b	50.00	50.00	Operation of digital terrestrial television broadcasting
Granada Sky Broadcasting Ltd+	a	20.00	20.00	Establishment, operation and marketing of pay-TV channels 50.5% commercial interest (1999: 50.5%)
MUTV Ltd	a	33.00	33.00	Operation of the MUTV television channel dedicated to Manchester United Football Club and its activities
The Home Shopping Channel Ltd	a	35.00	35.00	Operation of a home shopping television channel and related activities
The Liverpool Football Club and Athletic Grounds Plc	c	9.90	9.90	Management of the football and related interests of Liverpool Football Club
PowerChannel Europe plc	a	23.50	-	Offering free TV set top boxes providing internet access in return for survey data in the UK
Carlton & Granada Internet Ltd	b	50.00	-	Joint venture company holding 50% of the Ask Jeeves (UK) Partnership
GMTV Ltd	a	25.00	20.00	Production and broadcast of breakfast time television under National Channel 3 licence
London News Network Ltd	a	50.00	50.00	Production of regional news and weather programmes, operating a television studio and transmission facility and transmitting national and regional programmes
ITV2 Ltd	a	35.20	35.20	Operation of the ITV2 channel.
Red Heart Productions Pty. Ltd*	b	50.00	-	Programme production for Australian television
Seven Network Ltd*	c	10.40	-	Holder of Australian free to air broadcast licence
Box Clever Technology Ltd	b	50.00	-	Electrical rental and retail chain
Swapitshop Ltd	a	20.00	-	Children's games exchange
LiverpoolFC.com Ltd	b	50.00	-	Exploitation of new media and other commercial opportunities
Ask Jeeves (UK) Partnership	a	25.00	-	Web search engine
Arsenal Football Club plc	c	5.00	-	Management of the football and related interests of Arsenal Football Club
Arsenal Broadband Ltd	b	50.00	-	Exploitation of new media and other commercial opportunities

\* Incorporated and registered in Australia.  
\*\* Incorporated and registered in Scotland.  
+ 50.5% commercial interest (1999: 50.5%)  
++ 80% shareholding

a Associated undertakings  
b Joint venture  
c Trade investments

## Notes (continued)

### 14 Debtors: amounts falling due within one year

	Group 2000 £m	Company 2000 £m	Restated Group 1999 £m	Company 1999 £m
Trade debtors	181	-	428	-
Amounts owed by subsidiary undertakings	902	927	-	606
Amounts owed by ultimate parent undertaking	3,272	3,272	-	-
Other debtors	30	32	99	107
Prepayments and accrued income	32	-	89	1
	<u>4,417</u>	<u>4,231</u>	<u>616</u>	<u>714</u>

### 15 Debtors: amounts falling due after more than one year

	Group 2000 £m	Company 2000 £m	Group 1999 £m	Company 1999 £m
Other debtors	-	-	17	-
Prepayments and accrued income	-	-	228	2
	<u>-</u>	<u>-</u>	<u>245</u>	<u>2</u>

### 16 Other creditors: amounts falling due within one year

	Group 2000 £m	Company 2000 £m	Group 1999 £m	Company 1999 £m
Trade creditors	148	-	476	-
Amounts owed to subsidiary undertakings	-	-	-	79
Rentals and other amounts received in advance	3	-	11	-
Social security costs	10	-	38	-
Taxation	93	-	213	-
Other creditors	193	106	345	21
Trading bills of exchange	-	-	24	-
Accruals and deferred income	48	-	193	31
Interim and proposed final dividend	363	363	177	177
	<u>858</u>	<u>469</u>	<u>1,477</u>	<u>308</u>

**Notes (continued)**

**17 Other creditors: amounts falling due after more than one year**

	Group 2000 £m	Group 1999 £m
Other creditors and amounts received in advance	20	27

**18 Net borrowings**

	Group 2000 £m	Company 2000 £m	Group 1999 £m	Company 1999 £m
<i>Amounts falling due within one year:</i>				
Bank loans and overdrafts repayable on demand	-	-	5	860
Bank loans and overdrafts repayable other than on demand	325	260	470	436
Net finance lease obligations	-	-	1	-
	<u>325</u>	<u>260</u>	<u>476</u>	<u>1,296</u>
<i>Amounts falling due after more than one year:</i>				
Finance advances repayable:				
Between one and two years	-	-	514	505
Between two and five years	100	100	723	698
After more than five years	525	525	642	636
Net finance lease obligations	20	-	49	-
	<u>645</u>	<u>625</u>	<u>1,928</u>	<u>1,839</u>
Total borrowings	<u>970</u>	<u>885</u>	<u>2,404</u>	<u>3,135</u>
Cash at bank and short term deposits	(1,940)	-	(323)	(35)
Net (funds)/borrowings	<u>(970)</u>	<u>885</u>	<u>2,081</u>	<u>3,100</u>

## Notes (continued)

### 19 Analysis of borrowings

Of borrowings maturing within five years the following are secured

	<b>Group 2000 £m</b>	<b>Company 2000 £m</b>	<b>Group 1999 £m</b>	<b>Company 1999 £m</b>
Bank loan due within one year	200	200	-	-
Bank loan due between two and five years	-	-	200	200
Other bank loans	-	-	3	-
	<b>200</b>	<b>200</b>	<b>203</b>	<b>200</b>

#### Borrowings repayable after more than five years

	Currency	Year end interest rates %	<b>Group 2000 £m</b>	<b>Company 2000 £m</b>	<b>Group 1999 £m</b>	<b>Company 1999 £m</b>
Eurobond 2019	Sterling	11.25	75	75	75	75
First Mortgage Debenture Stock 2018	Sterling	10.00	200	200	200	200
Eurobond 2014	Sterling	7.00	250	250	250	250
Other capital market issues	US Dollars	6.88	-	-	111	111
Other loans	Various	8.20	-	-	6	-
Finance leases	Sterling	7.70	-	-	47	-
			<b>525</b>	<b>525</b>	<b>689</b>	<b>636</b>

### 20 Analysis of net debt

	Opening balance £m	Net cash flow £m	Acquisitions £m	Other movements £m	Disposals £m	Closing balance £m
Cash at bank and in hand	(194)	90	-	-	-	(104)
Overdrafts on demand	5	(5)	-	-	-	-
Net cash inflow	(189)	85	-	-	-	(104)
Bank loans and overdrafts due within one year	470	1,114	11	4	(1,274)	325
Bank loans and overdrafts due after one year	1,879	(1,024)	-	-	(230)	625
Finance leases	50	(49)	-	19	-	20
Liquid investments	(129)	(1,904)	-	33	164	(1,836)
	<b>2,081</b>	<b>(1,778)</b>	<b>11</b>	<b>56</b>	<b>(1,340)</b>	<b>(970)</b>

## Notes (continued)

### 21 Provisions for liabilities and charges

Group	Deferred taxation £m	Other provisions £m	Total £m
At 25 September 1999	38	22	60
Disposed operations	(38)	(22)	(60)
	<hr/>	<hr/>	<hr/>
At 30 September 2000	-	-	-
	<hr/>	<hr/>	<hr/>

Other provisions comprise onerous leases of £nil (1999: £22 million).

Group	Full potential liability 2000 £m	Provision made 2000 £m	Full potential liability 1999 £m	Provision made 1999 £m
Deferred tax carried forward is made up as follows:				
Accelerated capital allowances	-	-	175	13
Revaluation surpluses	-	-	74	-
Other timing differences	-	-	(3)	25
ACT recoverable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	246	38

The above figures exclude taxation payable in the event of profits of overseas subsidiary undertakings being distributed because there is currently no intention to remit these amounts.

**Notes (continued)**

**22 Called up share capital**

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Ordinary shares of 12.5p each</b>				
<i>Authorised:</i>				
2,504,098,700 (1999: 2,489,115,908) shares	<b>313</b>	<b>311</b>		
<i>Issued and fully paid:</i>				
1,875,652,976 (1999: 1,847,423,456) shares			<b>235</b>	<b>231</b>
<b>Convertible Preference Shares of 10p each</b>				
<i>Authorised:</i>				
87,411,271 (1999: 106,139,761) shares	<b>9</b>	<b>11</b>		
<i>Issued and fully paid:</i>				
87,411,271 (1999: 106,139,761) shares			<b>9</b>	<b>11</b>
<b>New Convertible Preference Shares of 10p each</b>				
<i>Authorised:</i>				
32,465,354 (1999: 32,465,354) shares	<b>3</b>	<b>3</b>		
<i>Issued:</i>				
Nil (1999: nil) shares			<b>-</b>	<b>-</b>
<b>At 30 September 2000</b>	<b>325</b>	<b>325</b>	<b>244</b>	<b>242</b>

As described in the Directors' Report, on 27 July 2000 Granada Group and Compass Group PLC merged into a new company called Granada Compass plc ("Granada Compass"). All of the existing share capital of Granada Group was cancelled and shareholders received Granada Compass shares on the following bases:

For each ordinary share 0.7547 Granada Compass ordinary shares;

For each preference share 0.515 Granada Compass ordinary shares.

The capital of Granada Group was then restated to its former amount and the credit arising in the books of Granada Group as a result of the cancellation was applied in paying up in full new Granada Group ordinary and convertible preference shares which were issued to Granada Compass. Granada Group became a subsidiary of Granada Compass.

## Notes (continued)

### 22 Called up share capital (continued)

	2000 Number	1999 Number
a In the year ended 30 September 2000 ordinary shares were issued for the following:		
Share Option Schemes	15,743,860	9,164,894
Share Dividend Scheme	-	7,177,698
	<hr/> 15,743,860	<hr/> 16,342,592

The value of the consideration received for the issue of the 16 million (1999: 16 million) shares above was £91 million (1999: £25 million) in cash and £nil (1999: £39 million) in dividends foregone.

b The Convertible Preference Shares may be converted into fully paid ordinary shares on the basis of 66 2/3 ordinary shares for every 100 Convertible Preference Shares. Conversion may only take place on a conversion date, which is 30 April in each year up to and including 2003. Between 1 July 2003 and 31 January 2009 the Company has the right to redeem at any time any outstanding shares for £1 per share; any shares outstanding on 31 January 2009 shall be redeemed by the Company on the same terms. The Convertible Preference Shares fall within the definition of non-equity shareholders' funds for accounting purposes. However, they meet the definition of equity shares for Companies Act purposes because the rights on a winding up are not limited to a specific amount.

The Convertible Preference Shares carry only very limited voting rights. The holders of such shares are entitled to vote in respect of them at any General Meeting of the company (i) if at the date of such meeting the preferential dividend is in arrears for six months or more after any fixed payment date or (ii) a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Convertible Preference Shares, in which case such holders shall have the right to vote only on such resolution. In the period ended 30 September 2000 a total of 18,728,490 issued Convertible Preference Shares of 10p each fully paid were converted into 12,485,660 issued ordinary shares of 12.5p each fully paid.

c At 30 September 2000 options over Granada Group PLC ordinary shares granted to directors, executives and staff were outstanding as follows:

Option scheme	Exercise period	Exercise price	Number of shares
1984 Scheme	July 2000 - Jan 2001	174.5p	20,000
1994 Scheme	July 2000 - Jan 2001	247p - 616p	10,786,006
1998 Scheme	July 2000 - Jan 2001	468.5p - 616p	3,106,830
SAYE Scheme	July 2000 - Jan 2001	214.8p - 499.6p	7,274,871

At 30 September 2000 options at 216.5p pence were outstanding over 61,520 Granada ordinary shares which had been converted from options over Yorkshire-Tyne Tees Television Holdings plc ordinary shares.

All rights under the various Granada Group PLC share option schemes became exercisable as a result of the merger with Compass Group PLC. On exercise of rights under the Granada Group PLC share option schemes the shares were converted immediately 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.



# **Notes** *(continued)*

## **23 Investments in subsidiary undertakings**

The principal subsidiary undertakings are listed in note 13. The movements in the investments in subsidiary undertakings of the Company during the period are analysed below:

	<b>Shares £m</b>	<b>Loans £m</b>	<b>Total £m</b>
Balance at 25 September 1999			
- cost	2,976	4,937	7,913
- provision	(173)	(134)	(307)
	<hr/>	<hr/>	<hr/>
	2,803	4,803	7,606
Additions	239	449	688
Disposals	(2,069)	(5,252)	(7,321)
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2000</b>	<b>973</b>	<b>-</b>	<b>973</b>

## Notes (continued)

### 24 Reconciliation of movements in shareholders' funds

a Group	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserve £m	Profit and loss account £m	Total 2000 £m	Total 1999 £m
Balance at 25 September 1999 as originally stated	242	153	257	-	1,546	2,198	1,500
Prior year adjustment resulting from change in stock accounting policy	-	-	-	-	(16)	(16)	-
Prior year adjustment resulting from the implementation of:							
UITF 24	-	-	-	-	(15)	(15)	-
FRS12	-	-	-	-	-	-	(27)
Balance at 25 September 1999 as restated	242	153	257	-	1,515	2,167	1,473
Retained profit for period for equity shareholders	-	-	-	-	1,442	1,442	682
Other finance costs of non-equity shares	-	-	-	-	(1)	(1)	(2)
Adjustment in respect of shares for dividend scheme	-	-	-	-	-	-	39
Shares issued in period (net)	2	89	-	-	(39)	52	19
Currency adjustments	-	-	-	-	(12)	(12)	(4)
Net movement on Goodwill	-	-	-	-	-	-	(4)
Profit on Granada Media Float	-	-	-	*987	-	987	-
Boxclever writeback of goodwill	-	-	-	-	124	124	-
Other movements	-	-	-	-	(3)	(3)	(5)
Transfer from revaluation reserve	-	-	(212)	-	212	-	-
At 30 September 2000	244	242	45	987	3,238	4,756	2,198

\* The profit arising on the floatation of 20% of Granada Media is unrealised as it was always intended that the company would acquire a 100% interest in Granada Media again as part of the exchange process. This took place on 1 February 2001.

b Company	Share capital £m	Share premium £m	Other reserve £m	Profit and loss account £m	Total 2000 £m	Total 1999 £m
Balance at 25 September 1999	242	153	-	1,081	1,476	513
Retained profit for period for equity shareholders	-	-	-	2,267	2,267	856
Other finance costs of non-equity shares	-	-	-	(1)	(1)	(2)
Adjustment in respect of shares for dividend scheme	-	-	-	-	-	39
Shares issued in period	2	89	-	-	91	54
Other movements	-	-	-	3	3	6
Currency adjustments	-	-	-	14	14	10
At 30 September 2000	244	242	-	3,364	3,850	1,476

**Notes (continued)**

**25 Acquisition of businesses**

	2000 £m	1999 £m		2000 £m	1999 £m
<b>a Summary of the effect of the acquisition of new businesses:</b>					
Net assets acquired:			Discharged by:		
Fixed assets	30	52	Cash	62	109
Stocks	-	4	Deferred consideration	-	6
Debtors	4	23			
Creditors	(13)	(6)			
Borrowings acquired	(11)	(8)			
Cash and liquid investments	-	2			
Goodwill on acquisitions	52	48			
	<u>62</u>	<u>115</u>		<u>62</u>	<u>115</u>

Fair value adjustments for the above acquisitions were not material.

	2000 Hospitality £m	2000 Boxclever £m	2000 Total £m	1999 Total £m
<b>b Summary of the effect of the disposal of businesses:</b>				
Net assets disposed:				
Fixed assets	4,244	301	4,545	1
Stocks	78	11	89	-
Debtors	502	38	540	15
Creditors and provisions	(668)	(90)	(758)	(9)
Net cash/(overdrafts)	(45)	(158)	(203)	10
Goodwill written off on disposal	34	125	159	-
	<u>4,145</u>	<u>227</u>	<u>4,372</u>	<u>17</u>

Represented by:

Inter-company settlements	5,587	-	5,587	-
Cash	-	353	353	20
Profit on disposal	(1,442)	(14)	(1,456)	(3)
Share of net liabilities in Boxclever at date of transaction	-	(112)	(112)	-
	<u>4,145</u>	<u>227</u>	<u>4,372</u>	<u>17</u>

## Notes (continued)

### 26 Contingent liabilities

Under a group registration, the company is jointly and severally liable for VAT at 30 September 2000 of £37 million (1999: £45 million). The company has guaranteed finance and operating lease obligations of subsidiary undertakings (see note 27).

There are contingent liabilities in respect of certain litigation and guarantees and in respect of warranties given in connection with certain disposals of businesses and in respect of certain trading and other obligations of certain subsidiaries.

In the opinion of the directors, adequate allowance has been made in respect of these matters.

### 27 Lease commitments

At 30 September 2000 the Group's operating lease commitments for the financial year to 30 September 2000 were £6 million (1999: £83 million), analysed by expiry date as follows:

	Land and buildings 2000 £m	Other operating leases 2000 £m	Total 2000 £m	Land and buildings 1999 £m	Other operating leases 1999 £m	Total 1999 £m
Within one year	-	-	-	2	4	6
Between two and five years	-	2	2	15	12	27
More than five years	4	-	4	50	-	50
	<b>4</b>	<b>2</b>	<b>6</b>	<b>67</b>	<b>16</b>	<b>83</b>

The Group's net obligations under finance leases at 30 September 2000 were £20 million (1999: £50 million) analysed by payment date as follows:

	2000 £m	1999 £m
Within one year	-	1
Between two and five years	7	2
More than five years	13	47
	<b>20</b>	<b>50</b>

## Notes (continued)

### 28 Capital commitments

	Group 2000 £m	Company 2000 £m	Group 1999 £m	Company 1999 £m
Contracted but not provided for:				
Rental equipment	1	-	29	-
Other	-	-	12	-
	<u>1</u>	<u>-</u>	<u>41</u>	<u>-</u>
Share of capital commitments of joint ventures				
Other	24	14	1	-
	<u>24</u>	<u>14</u>	<u>1</u>	<u>-</u>

There are commitments in respect of forward foreign exchange contracts entered into in the ordinary course of business.

### 29 Related party transactions

Transactions with associated undertakings and joint ventures:

All transactions with associated undertakings and joint ventures arise in the normal course of business.

	2000 £m	1999 £m
For the year ended 30 September 2000		
Sales to joint ventures and associated undertakings	62	49
Purchases from joint ventures and associated undertakings	21	18
Purchases from Granada plc (formerly Granada Compass plc) companies	18	-
Sale of hospitality businesses to Hospitality Holdings Limited	1,442	-
	<u>1,543</u>	<u>67</u>

At 30 September 2000

Amounts owed by joint ventures and associated undertakings	9	16
Amounts owed to joint ventures and associated undertakings	2	4
	<u>11</u>	<u>20</u>

## Notes (continued)

### 30 Minority interest

On 11 July 2000, the Company offered a 20 per cent interest in Granada Media by way of a placing to institutional shareholders. The shares offered were admitted to the official list and to trading on the London Stock Exchange's market for listing securities.

As at 30 September 2000 the minority interest related entirely to Granada Media.

### 31 Ultimate parent company

The company is a wholly owned subsidiary of Granada plc (formerly Granada Compass plc), a company incorporated and registered in England and Wales.

### 32 Post balance sheet events

On 4 October 2000 Granada Media plc ("Granada Media"), a subsidiary of the Company, acquired effective management control of the television interests of United News & Media plc for a cash payment of £1,750 million. The principal companies and investments acquired were as follows:

#### Principal subsidiary undertakings

##### Name

##### Registered office

Anglia Television Limited

Anglia House, Norwich NR1 3JG

HTV Group Limited

The Television Centre, Culverhouse Cross, Cardiff  
 CF5 6XJ

Meridian Broadcasting Limited\*

Television Centre, Southampton SO14 0PZ

Survival Anglia Limited

Anglia House Norwich NR1 3JG

TSMS Group Limited

Westworld, Westgate, Ealing, London W5 1EH

United Wildlife Limited

Ludgate House, 245 Blackfriars Road, London SE1  
 9UY

\*79.92% shareholding

#### Principal investments

Village Roadshow Limited (17.94%) – Australian television programme producer

Subsequently on 24 October 2000 Granada Media agreed to sell the licence and broadcasting interests of HTV Group Limited to Carlton Communications plc ("Carlton") for a consideration of £181 million in cash plus Carlton's 20% interest in Meridian Broadcasting Limited.

On 11 October 2000 Granada Media acquired a 5% interest in Arsenal FC for cash consideration of £27 million. Granada Media has also entered into a joint venture agreement with Arsenal, for cash consideration of £20 million, to exploit new media and other commercial opportunities.

On 12 October 2000 Granada Media entered into a joint venture agreement with Boots plc to form a health and beauty e-commerce venture.

## Notes (continued)

### 32 Post balance sheet events (continued)

On 1 February 2001 Granada plc, the company's parent undertaking, demerged its hospitality businesses under a new parent company, Compass Group PLC. On the same date, immediately following the demerger, the minority holding in Granada Media plc was converted to shares in Granada plc under a mandatory exchange process. This meant that the company's holding in Granada Media plc returned to 100%.

The Public Debt, which continued to be legally held by the company at 30 September 2000 although with a corresponding balance due from the hospitality businesses was either repaid or formally transferred to Compass Group plc as follows:

£75m Eurobond 2019	Repaid	March 2001;
£250m Eurobond 2014	Transferred	February 2001;
£100m Eurobond 2003	Transferred	June 2001;
£200m Debenture 2018	Transferred	February 2001.

These transfers had no effect on the company's or the Group's consolidated net assets.