Millbank Studios Limited

Director's report and financial statements

Registered number 2311588

30 September 2002

Contents

Director's report

The director presents the annual report and the audited financial statements for the year ended 30 September 2002.

Principal activities

The Company's principal activities continue to be those of the provision of television and video facilities.

Business review

The Company continued to trade profitably during the year, making a profit before tax of *£36,202 (2001:£120,533)*

Proposed dividends

The director does not propose the payment of a dividend *(2001:£nil)*.

Directors and Directors' interests

The director who held office during the year was as follows:

RD Rose

At 30 September 2002 the director did not have any interest in the company's shares or those of Granada plc

R Rose held options and awards under Granada plc and Granada Media plc share schemes details of which are set out below.

Performance conditions attached to the various Schemes and Awards are disclosed in the report and accounts of Granada plc which is the highest company in the Group structure that has prepared audited consolidated accounts to 30 September 2002.

Granada plc

	At 1 Oct 2001	No. Granted in Yr	No. Exercised/ vested in Yr	No. Lapsed in Yr	At 30 Sept 2002	Exercise Price	Market Price of exercise date	Exercise Period
Approved and Unapproved Executive Share Option Schemes								
	15,000	0	0	0	15,000	142.5p		Jul 2004 to Jul 2011
	0	1,000	0	0	1,000	149p		Jan 2005 to Jan 2012
	0	6,000	0	0	6,000	110.5p		Jul 2005 to Jul 2012

Director's Interests continued

On 1 February 2001 externally held shares in Granada Media plc were cancelled and shareholders received shares in Granada plc in consideration for the cancellation. The ratio at which Granada Media plc shares were effectively exchanged for Granada plc shares was 1.8455 Granada plc shares for each Granada Media plc share. Under the terms of the mandatory exchange, on exercise of a Granada Media plc option, ordinary shares in Granada plc will be delivered on the basis of 1.8455 Granada plc shares for each Granada Media plc share. The figures disclosed in the Granada Media plc table have been adjusted accordingly to show the Granada plc equivalent.

Granada Media plc

	At 1 Oct 2001	No. Granted in Yr	No. Exercised/ vested in Yr	No. Lapsed in Yr	At 30 Sept 2002	Exercise Price	Market Price of exercise date	Exercise Period
Savings Related Share Option Scheme								
	5,811	0	0	5,811	0	166p		Dec 2003 to Dec 2010
Approved and Unapproved Executive Share Option Schemes								
	1,107	0	0	0	1,107	279p		Jul 2003 to Jul 2010

Political and charitable contributions

The Company made no political or charitable contributions during the year *(2001:£nil).*

Auditors

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Financial Statements before the Company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

By order of the Board

RD Rose
Director

Number Four
Millbank
Westminster
London

8d July 2003

Statement of director's responsibilities

Company law requires the director 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 director is 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 director is 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.

Report of the Independent auditors, KPMG Audit Plc, to the members of Millbank Studios Limited

We have audited the financial statements on pages 5 to 14.

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

Respective responsibilities of the director and auditors

The director is responsible for preparing the director's report and, as described on page 3, 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 1985. We also report to you if, in our opinion, the director's 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 director's 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 director 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 2002 and of its profit 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

21 July 2003

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account

for the year ended 30 September 2002

	Note	2002 £000	2001 £000
Turnover	2	**2,479,658**	2,637,093
Cost of Sales		**(1,502,941)**	(1,631,903)
Grosss Profit		**976,717**	1,005,190
Administrative Expenses		**(940,515)**	(884,657)
Profit on ordinary activities before taxation	3	**36,202**	120,533
Tax on profit on ordinary activities	6	**(41,824)**	(58,968)
(Loss)/Profit for the financial period		(5,622)	61,565

The results stated above are all derived from continuing activities.

A statement of total recognised gains and losses has not been included as part of these financial statements as the company made no gains or losses in the period other than those disclosed above in the profit and loss account.

A note of historical cost profit and losses has not been included as part of the financial statements since the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

Balance sheet

at 30 September 2002

	Note	30 September 2002		30 September 2001	
		£	£	£	£
Fixed assets					
Tangible assets	7		617,382		887,390
Investments	8		100		100
			617,482		887,490
Current assets					
Stocks	9	3,328		1,899	
Debtors	10	607,015		564,639	
Cash in hand		145		306	
		610,488		566,844	
Creditors: amounts falling due within one year	11	(768,946)		(989,688	
Net current liabilities			(158,458)		(422,844)
Net assets			459,024		464,646
Capital and reserves					
Called up share capital	13		200		200
Share premium account	14		199,940		199,940
Profit and loss account	14		258,884		264,506
Equity shareholders' funds	15		459,024		464,646

These financial statements were approved by the board of directors on 8d July 2003 and were signed on its behalf by:

RD Rose
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. The Company has adopted FRS 19 'Deferred Tax' in these financial statements. There is no prior year adjustment in these financial statements as the amounts involved are not material.

Basis of preparation

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

The financial statements have been prepared on a going concern basis in view of a letter of support from the company's parent, which undertakes to provide such support as is necessary to maintain the company as a going concern for the foreseeable future.

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 plc.

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

Under FRS1 ' Cash flow statements', the company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary undertaking of Granada plc. The consolidated financial statements include a consolidated cash flow statement dealing with the cash flows of the group.

Turnover

Turnover represents the invoiced amounts of services provided during the period and is stated net of Value Added Tax. The turnover comprises charges for the hire of studios, crews and other technical equipment.

Investments

Investments are stated at cost less provision for any permanent diminution in value.

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	-	33% or 20% straight line
Motor vehicles	-	10% straight line

Stock

Consumable stores are valued at the lower of cost and net realisable value.

Pension scheme

The company is a member of the Granada Pension Scheme, a defined benefit scheme. However, as permitted by FRS 17 'Retirement benefits', the company is exempt from accounting for the pension scheme as a defined benefit scheme within the financial statements as the company is unable to identify its share of the underlying assets and liabilities from those of the other participating employers within the group defined benefit scheme. Therefore the company has treated the pension scheme as if it was a defined contribution scheme and the contributions payable to the scheme for the period are charged to the profit and loss account.

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of 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.

Operating leases

Amounts payable under operating leases are charged to the profit and loss account as incurred.

2 Turnover

Turnover represents the amount derived (excluding valued added tax) from the provision of goods and services which fall within the company's ordinary activities.

The geographical analysis of turnover by destination is as follows:

	2002	2001
	£	£
United Kingdom	**2,390,312**	2,567,289
Other European countries	**74,961**	60,708
North America	**13,159**	7,248
Australasia	**1,226**	1,848
	2,479,658	2,637,093

3 Profit on ordinary activities before taxation

	2002	2001
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Operating leases		
- Hire of plant and machinery	**39,265**	54,133
- Land and buildings	**416,666**	354,012
- Hire of motor vehicles	**12,152**	10,447
Depreciation		
- Owned assets	**359,604**	361,526

Auditors remuneration has been borne by a fellow subsidiary undertaking.

Notes *(continued)*

4 Remuneration of the director

	2002	2001
	£	£
Director's emoluments:		
Salary	**63,643**	63,323

5 Staff numbers and costs

The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Management and administrative	**3**	4
Production and sales	**19**	19
	22	23

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	**532,079**	560,348
Social security costs	**43,773**	49,425
	575,852	609,773

Notes *(continued)*

6 Taxation

	2002	2001
	£	£
Taxation based on the results of the year:		
UK Corporation Tax at 30% (2001:30%)	**61,157**	78,321
Adjustments in respect of prior periods	-	(1,465)
Current tax charge	**61,157**	76,856
Deferred tax:		
Adjustment in respect of current year	(32,870)	(17,888)
Adjustment in respect of previous years	13,537	-
Tax on profit on ordinary activities	41,824	58,968

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001: higher) than the standard rate of corporation tax in the UK (30 %, 2001:30 %). The differences are explained below.

	2002	2001
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**36,202**	120,533
Current tax at 30% (2001:30 %)	**10,861**	36,160
Effects of:		
Expenses not deductible for tax purposes	**17,426**	24,273
Capital allowances for period in excess of depreciation	**32,870**	17,888
Adjustments to tax charge in respect of prior periods	-	(1,465)
Total current tax charge (see above)	**61,157**	76,856

Notes *(continued)*

7 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 October 2001	2,593,285	299,661	2,892,946
Additions	74,479	15,117	89,596
At 30 September 2002	**2,667,764**	**314,778**	**2,982,542**
Depreciation			
At 1 October 2001	1,879,017	126,539	2,005,556
Charge for year	333,428	26,176	359,604
At 30 September 2002	**2,212,445**	**152,715**	**2,365,160**
Net book value			
At 30 September 2002	**455,319**	**162,063**	**617,382**
At 1 October 2001	714,268	173,122	887,390

8 Fixed asset investments

	£
Cost	
At 1 October 2001 and 30 September 2002	100

The following company was a subsidiary undertaking throughout the year.

Name	Country of incorporation	Proportion of voting rights and ordinary share capital	Nature of Business
Walshys Production Facilities Limited	England	100%	Dormant

Notes *(continued)*

9 Stocks

	2002	2001
	£	£
Consumables	**3,328**	1,899

10 Debtors

	2002	2001
	£	£
Trade debtors	**430,989**	427,315
Amounts owed by group undertakings	**142,971**	119,936
Other debtors	**3,656**	4,812
Prepayments and accrued income	**10,066**	12,576
Deferred Taxation (note 12)	**19,333**	-
	607,015	564,639

11 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	**29,238**	262,459
Trade creditors	**99,408**	171,973
Amounts owed to group undertakings	**437,692**	425,919
Other creditors including taxation and social security	**201,098**	126,642
Accruals and deferred income	**1,510**	2,695
	768,946	989,688

Notes *(continued)*

12 Deferred taxation

	£
Opening balance at 1 October 2001	-
Adjustment in respect of prior year re: change in policy	**(13,537)**
Charge for the year	**32,870**
Closing balance at 30 September 2002	**19,333**

The company has adopted FRS 19 in the year. The impact of this is shown above. This has not been treated as a prior year adjustment as the directors do not believe it to be significant

	2002	2001
	£	£
Accelerated capital allowance	**19,333**	(13,537)
Short term timing differences	-	-
	19,333	**(13,537)**

A deferred tax asset is recognised where the directors believe that the future taxable profits are in the excess of those arising from the reversal of the deferred tax liability.

13 Called up share capital

	2002	2001
	£	£
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	**140**	140
Ordinary 'A' shares of £1 each	**60**	60
	200	200

The ordinary shares and the ordinary 'A' shares rank pari passu in respect of rights to dividends, rights in the event of a winding up, and rights to vote in General Meeting. Neither class of share is redeemable.

14 Share premium and reserves

	Share Premium Account	Profit and loss account
	£	£
At beginning of year	**199,940**	264,506
Retained loss for the year	-	(5,622)
At end of year	**199,940**	258,884

Notes *(continued)*

15 Reconciliation of movements in shareholders funds

	2002	2001
	£	£
(Loss)/Profit for the financial year	**(5,622)**	61,565
Opening shareholders' funds	**464,646**	403,081
Closing shareholders' funds	**459,024**	464,646

16 Guarantees and commitments

Financial commitments due under non-cancellable operating leases will result in the following payments falling due in the year to 30 September 2002:

	Land and buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within one year	**91,280**	-
In the second to fifth years inclusive	-	429,525
Over five years	-	-
	91,280	429,525

The company had capital commitments contracted for but not provided at 30 September 2002 of £nil *(2001:£nil)*.

17 Ultimate parent undertaking

The immediate parent company is Yorkshire Television Limited. The ultimate holding company is Granada plc, a company registered in England and Wales.

The results of the company are consolidated into the accounts of Granada plc. The accounts of these companies are available to the public from The Secretary, The London Television Centre, Upper Ground, London SE1 9LT.

18 Related party disclosures

The company entered into transactions during the year with Neon Broadcast Services Limited, a company in which RD Rose has a 40% shareholding. Purchases from this company amounted to £nil *(2001:£2,815)* and sales to this company were £260 *(2001:£404)*. All transactions related to the provision of broadcasting services and were made on an arms length basis.