Cosgrove Hall Films Limited

Annual report

for the year ended 31 December 2000

Registered Number 2852812

Cosgrove Hall Films Limited

Annual report

for the year ended 31 December 2000

Contents

Cosgrove Hall Films Limited

Directors and Advisors

Directors

B J Cosgrove	
M W Hall	
A Macbean	(resigned 4 October 2000)
G Parrott	(appointed 15 June 2001)
I S Pelling	
C Schreger	(resigned 11 May 2001)
H Staunton	(appointed 15 June 2001)
J Willis	(resigned 30 November 2001)

Secretary

J Rowland	(resigned 4 October 2000)
H Tautz	(appointed 4 October 2000)

Auditors
PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6NN

Bankers
National Westminster Bank PLC
438 Barlow Moor Road
Chorlton cum Hardy
Manchester
M21 1BR

Registered office
Anglia House
Norwich
NR1 3JG

Registered number
2852812

Cosgrove Hall Films Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities
The company's principal activity is the production of animated films for television.

The company makes programmes for all UK broadcasters.

Review of business and future developments
The company will continue its planned production of animated films for television.

The loss for the year ended 31 December 2000 of £765,000 (1999: profit £4,000). This includes exceptional operating costs of £449,000 (note 2)

The operating loss before operating exceptional items was £343,000 (1999: operating profit £294,000)

The financial position of the company at 31 December 2000 is as set out in the balance sheet on page 6.
The company is dependent on financial support from its shareholders.

Change in ultimate parent companies
On 4 October 2000, Granada Plc (formerly Granada Compass Plc) purchased United Broadcast & Entertainment Ltd (a subsidiary of United News and Media Plc), being a joint venture parent company of International Television Enterprises London(ITEL), who had a 75% interest in the equity share capital of the company.

Consequently as at 31 December 2000, the equity share capital previously ultimately owned by United News and Media Plc was owned by Granada Plc (formerly Granada Compass Plc).

On 11 May 2001, Time Warner Inc (the other joint venture parent company of ITEL), sold the remaining share capital in ITEL to Granada Plc (formerly Granada Compass Plc).

On completion of these transactions, the Directors now regard Granada Plc (formerly Granada Compass Plc) as the ultimate controlling party.

Dividends
The directors do not recommend the payment of a dividend (1999: £nil).

Cosgrove Hall Films Limited

Directors and their interests
The directors who served during the year are listed on page 1.

The directors had the following interests in the shares of the company at the beginning and end of the financial year:

	'A' ordinary shares of 1p fully paid 2000
B J Cosgrove	**12,500**
M W Hall	**12,500**

A Macbean and C Schreger are directors of the immediate parent company (ITEL) and their share interests in the group are disclosed in the financial statements of that company. No other director held an interest in the shares of the company or other group undertakings.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

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

Laying of reports and accounts
The company has passed elective resolutions to dispense with the laying of financial statements before the company in general meeting, to dispense with holding AGMs, and dispensing with the requirements to appoint auditors annually.

Under the provisions of Section 253(2) of the Companies Act 1985, a member has the right to require the reports and financial statements to be laid before the company in a general meeting. The member must deposit notice of intention to exercise such right at the registered office of the company within twenty eight days of the date of this report.

By order of the board

Iain Pelling
Director
28 January 2002

Auditors' Report to the members of Cosgrove Hall Films Limited

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its or loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
28 January 2002

Cosgrove Hall Films Limited

Profit and loss account for the year ended 31 December 2000

	Note		2000 £'000		1999 £'000
Turnover (continuing operations)	1		**5,510**		5,782
Cost of sales			**(4,976)**		(4,788)
Gross profit			**534**		994
Administrative expenses		**(877)**		(700)	
Exceptional operating costs	2	**(449)**		-	
Total operating costs		**(1,326)**		(700)	
Operating (loss)/profit			**(792)**		294
Interest receivable and similar income			**35**		13
Interest payable and similar charges	5		**(347)**		(303)
(Loss)/profit on ordinary activities before taxation	6		**(1,104)**		4
Tax on (loss)/profit for the financial year	7		**339**		-
Retained (loss)/profit for the financial year	15		**(765)**		4

The company has no recognised gains and losses other than those included in the losses above and therefore no statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

Cosgrove Hall Films Limited

Balance sheet as at 31 December 2001

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	8	**414**	315
Current assets			
Stocks	9	**1,098**	1,827
Debtors	10	**1,411**	738
Cash at bank and in hand		**255**	807
		2,764	3,372
Creditors: amounts falling due within one year	11	**(2,823)**	(2,743)
Net current (liabilities) / assets		**(59)**	629
Total assets less current liabilities		**355**	944
Creditors : amounts falling due after more than one year	12	**(4,464)**	(4,288)
Net liabilities		**(4,109)**	(3,344)
Capital and reserves			
Called up share capital	14	**1**	1
Share premium account	15	**299**	299
Profit and loss account	15	**(4,409)**	(3,644)
Total equity shareholders' deficit	16	**(4,109)**	(3,344)

The financial statements on pages 5 to 18 were approved by the board of directors on 28 January 2002 and were signed on its behalf by:

I S Pelling
Director

Cosgrove Hall Films Limited

Cash flow statement for the year ended 31 December 2000

	Notes	**2000** **£'000**	1999 £'000
Net cash (outflow)/inflow from continuing operating activities (reconciliation to operating profit on page 8)		**(175)**	647
Returns on investments and servicing of finance			
Repayment of interest on group loans		**(171)**	-
Interest received		**35**	13
Net cash inflow from returns on investments and servicing of finance		**(136)**	13
Taxation		**-**	290
Capital expenditure			
Purchase of tangible fixed assets		**(241)**	(265)
Sale of fixed assets		**-**	4
Net cash outflow from capital expenditure		**(241)**	(261)
(Decrease)/increase in cash in the year	18	**(552)**	689

Reconciliation of net cash flow to movement in net debt

	£'000	£'000
(Decrease)/increase in cash in the year	**(552)**	689
Movement in net funds in the year	**(552)**	689
Opening net funds	**807**	118
Closing net funds	**255**	807

Cosgrove Hall Films Limited

Reconciliation of operating profit to net cash outflow from operating activities

	2000 £'000	1999 £'000
Continuing operating activities		
Operating (loss)/profit	**(792)**	294
Loss on disposal of fixed assets	**-**	4
Depreciation on tangible fixed assets	**142**	117
Decrease/(increase) in stocks	**729**	(630)
(Increase)/decrease in trade debtors	**(395)**	226
Increase in prepayments and accrued income	**(219)**	(64)
Decrease/(increase) in amounts owed by related parties	**280**	(427)
(Decrease)/increase in trade creditors	**(110)**	227
Increase in amounts owed to related party undertakings	**80**	17
Increase in accruals and deferred income	**239**	821
(Decrease)/increase in other creditors including taxation and social security	**(129)**	62
Net cash (outflow)/inflow from continuing operations	**(175)**	647

Cosgrove Hall Films Limited

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The financial statements on pages 5 to 18 have been prepared under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom and on a going concern basis. The company has net liabilities but has received confirmation of continuing support from Granada plc, its ultimate parent undertaking. A summary of the most important accounting policies is set out below.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful economic life, as follows:

Fixtures, fittings and equipment	4 years
Motor vehicles	4 years

Finance and operating leases

Assets acquired under finance lease and hire purchase contracts are capitalised as tangible fixed assets and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors, net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the finance lease and hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under operating leases are charged to the profit and loss account against income on a straight line basis over the lease term.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value. Cost includes all direct expenditure on a production. Contributions received towards the cost of productions in progress are classified as deferred income until the production is invoiced on completion, upon which such contributions are deducted from the related debtor.

Turnover

Turnover comprises income receivable from the production of animated films for television, royalties receivable and the invoiced value of sales to third parties net of value added tax.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements
The company participates in a group defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary with the contributions being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the contributions. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The company also participates in a defined contribution pension scheme and the pension cost charge represents contributions payable by the company to the fund.

The company provides no other post retirement benefits to its employees.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes to the financial statements for the year ended 31 December 2000

1 Turnover

The analysis by geographical area of the company's turnover is as follows:

	2000 £'000	1999 £'000
United Kingdom	**5,510**	5,782
	5,510	5,782

2 Exceptional operating costs

Following the acquisition of the company by Granada Plc (formerly Granada Compass Plc), a review of development stage animation was undertaken. As a result of this review, £449,000 of items within work in progress-programmes in production was written off to the profit and loss account.

3 Directors' emoluments

	2000 £'000	1999 £'000
Aggregate emoluments (including pension contributions and benefits in kind)	**253**	293

Emoluments payable to the highest paid director are as follows:

	£'000	£'000
Emoluments	**114**	110

No directors received, and are not entitled to receive, any benefit from either pension scheme in which the company participates.

4 Employee information

The average weekly number of persons (excluding executive directors) employed by the company during the year was:

	2000 Number	1999 Number
By activity		
Directors	**3**	3
Administrative	**12**	12
Production	**61**	48
	76	63

	£'000	£'000
Staff costs for the above persons (excluding directors)		
Wages and salaries	**1,719**	1,286
Social security costs	**166**	120
Pension costs (note 13)	**84**	85
	1,969	1,491

5 Interest payable and similar charges

	2000 £'000	1999 £'000
To parent company	**347**	303

6 Loss / profit on ordinary activities before before taxation

	2000 £'000	1999 £'000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit services	**13**	13
Hire of facilities and equipment – operating leases	**86**	8
Depreciation charge for the year:		
Tangible owned fixed assets	**142**	117
Loss on sale of fixed assets	**-**	(4)

A sum of £8,000 was paid by the ultimate parent company in respect of auditors' remuneration for non-audit services in respect of the company.

7 Tax on profit on ordinary activities

No provision for corporation tax or deferred tax is required because of the availability of losses. Losses available for offset against future profits are estimated at £2,577,000.

No provision has been made for a deferred tax asset in respect of the above losses as they are not considered realisable.

The tax credit in the year relates to group tax relief that other group companies received for the company's losses.

8 Tangible fixed assets

	Fittings and equipment £'000
Cost	
At 1 January 2000	844
Additions	241
At 31 December 2000	**1,085**
Depreciation	
At 1 January 2000	529
Charge for the year	142
At 31 December 2000	**671**
Net book value	
At 31 December 2000	**414**
At 31 December 1999	315

9 Stocks

	2000 £'000	1999 £'000
Work in progress – programmes in production	**1,098**	1,827

10 Debtors

	2000 £'000	1999 £'000
Trade debtors	**473**	78
Amounts owed by related party undertakings	**622**	563
Prepayments and accrued income	**316**	97
	1,411	738

11 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	**177**	287
Amounts owed to related party undertakings	**150**	70
Other creditors including taxation and social security	**31**	160
Accruals and deferred income	**2,465**	2,226
	2,823	2,743

12 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Falling due between two and five years		
Amounts owed to related party undertakings	**4,464**	4,288

The loans from related party undertakings are secured by a fixed and floating charge over the assets of the company. Interest is charged at a rate not more than 2% above LIBOR.

13 Pension schemes

The company has participated in two pension schemes, the assets of which were both held separately from those of the company.

The Anglia Television Group Pension Scheme is a funded defined benefit scheme providing benefits based on final pensionable salary. The cost of this scheme has been assessed by an independent qualified actuary using the attained age method as at 31 January 1998. The principal assumptions adopted for accounting purposes were that the real investment return would be 3% per annum, that real pensionable salary increases would average 1.75% per annum and that present pensions would increase at the rate of 0.25% per annum lower than RPI.

The market value of the scheme's assets at 31 January 1998 was £86,821,000 and the funding level of the scheme on the above accounting assumptions was 96%.

The pension scheme was 99% funded on the government's minimum funding requirement test at the beginning of March 1999. Contribution rates were increased over five years to reflect this funding deficiency.

The pension costs for the year relating to this scheme were £60,855 (1999: £66,507). This scheme was merged with the Granada Pension Scheme on 8 October 2001.

The United Pension Plan (formerly MAI Money Purchase Scheme) is a defined contribution scheme. The pension costs for the year relating to this scheme were £25,028 (1999: £19,662) and the outstanding contributions due at the end of the year were £nil (1999: £nil). The company's participation in this scheme ceased on 1 September 2001.

14 Called up share capital

	2000 £	1999 £
Authorised, allotted, called up and fully paid		
25,000 'A' ordinary shares of 1p each	**250**	250
75,000 'B' ordinary shares of 1p each	**750**	750
	1,000	1,000

15 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2000	299	(3,644)
Loss for the year	-	(765)
At 31 December 2000	**299**	**(4,409)**

16 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
(Loss)/profit for the financial year	**(765)**	4
Opening shareholders' deficit	**(3,344)**	(3,348)
Closing shareholders' deficit	**(4,102)**	(3,344)

17 Analysis of changes in financing during the year

	2000		1999	
	Share capita (includin share premium £'00	Loans an finance leas obligation £'00	Share capita (includin shar premium	Loans an finance leas obligation £'00
At beginning of year	**300**	**4,288**	300	3,985
Group loans	-	**(171)**	-	-
Interest charged on group loans	-	**347**	-	303
At end of year	**300**	**4,464**	300	4,288

18 Cash and cash equivalents

	2000 £'000	1999 £'000
Changes in the year		
At beginning of year	**807**	118
Net cash inflow	**(552)**	689
At 31 December	**255**	807

	2000 £'000	2000 Change in year £'000	1999 £'000
Analysis of balances			
Cash at bank and in hand	**255**	**(552)**	807
At 31 December	**255**	**(552)**	807

19 Financial commitments

At 31 December 2000, the company has annual commitments under non-cancellable operating leases, expiring between two and five years, as follows:

	2000		1999	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Expiring between two and five years inclusive	**84**	**-**	84	-
	84	**-**	84	-

20 Related party disclosures

The company has had transactions with the following related parties during the year:

Counterparty	**Relationship**	**Nature of transaction**	**Value of sales to/(purchase from) related parties 2000 £**	**1999 £**
Hullabaloo Studios Limited	CHF director is father of Hullabaloo director	Rent payments	**29,442**	19,384
		Post production editing	**(256,026)**	(256,298)
United Broadcasting and Entertaining Limited	Member of ultimate controlling party group	Recharge of insurance cost	**(9,763)**	(13,513)
		Advances for programmes	**423,370**	1,594,268
United News & Media Property Services	Division of member of ultimate controlling party group	Property services	**(2,556)**	(2,702)
International Television Enterprises London	Ultimate parent undertaking	Compound interest	**(347,453)**	(302,807)
		Production invoices	**(117,500)**	–
		Advances and sales for programmes	**2,228,062**	3,585,894
HTV Limited	Member of ultimate controlling group	Payment of payroll on company's behalf	**(2,056,705)**	(1,582,846)
Yorkshire Television Limited	Member of ultimate controlling group	Post production editing	**(7,915)**	(18,368)
Granada Television Limited	Member of ultimate controlling party group	Post production editing	**(13,489)**	(4,756)
Anglia Television Limited	Member of ultimate controlling party group	Post production editing	**(2,548)**	(959)
		Music Royalties	**17,566**	-

Balances (owed to)/due from related parties:

	2000 £	1999 £
Hullabaloo Studios Limited	**(27,000)**	(27,000)
United Broadcasting & Entertainment Limited	**60,000**	167,000
United News Media Property Services	**-**	(1,000)
International Television Enterprises London	**(4,316,000)**	(3,906,000)
HTV Limited	**-**	(56,000)
Yorkshire Television Limited	**(3,000)**	(2,000)
Granada Television Limited	**12,000**	-
Anglia Television Limited	**(2,000)**	-

No other provisions were made or amounts written off during the year.

Amounts shown above, as due to International Television Enterprises London (ITEL), of £4,316,000 includes a loan from the parent company of £4,464,000 which represents the principle and accumulated compound interest and is repayable by the company. Amounts due from ITEL of £266,354 relate to advances for production funding. There is no obligation on the company to repay these advances as the parent company carries the risk that the advances will exceed sales net of commission in secondary and overseas markets.

21 Ultimate parent company

The directors regard International Television Enterprises London, an unlimited company registered in Great Britain, as the immediate parent company. International Television Enterprises London (ITEL) had a 75% interest in the equity share capital of the company at 31 December 2000.

Until 4 October 2000, the directors regarded United News and Media Plc and Time Warner Inc, publicly quoted companies with diverse ranges of shareholders, as the ultimate controlling parties, by virtue of their joint interest in the company's immediate parent company. On 4 October, Granada Plc (formerly Granada Compass Plc) purchased United Broadcast and Entertainment Ltd from United News and Media Plc, which held a 50% holding in ITEL.

On 11 May 2001, Granada Plc (formerly Granda Compass Plc) acquired the remaining 50% holding in ITEL from Time Warner Inc.

The smallest group in which these accounts are consolidated is headed by United Media Holdings Limited.

Copies of the financial statements of International Television Enterprises London are available from 48 Leicester Square, London, WC2H 7FB.