

Cosgrove Hall Films Limited
Directors' report and financial statements
for the 9 months ended 30 September 2001

Registered Number 2852812



Cosgrove Hall Films Limited

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Cosgrove Hall Films Limited

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the nine month period ended September 2001.

Principal Activity

The company's principal activity is the production of animated films for television. The company makes programmes for all UK broadcasters.

Business Review

The company will continue its planned production of animated films for television.

The company made a loss after taxation for the period ended 30 September 2001 of £417,000 (2000: £765,000 loss).

The financial position of the company at 30 September 2001 is set out in the balance sheet on page 7. The company is dependent upon financial support from its shareholders.

Change in the ultimate parent company

On 4 October 2000, Granada plc purchased United Broadcast and Entertainment Limited (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 capital of the company.

Consequently as at 31 December 2000, the equity share capital previously owned by United News and Media plc was owned by Granada plc.

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

On completion of these transactions, the directors now regard Granada plc as the ultimate controlling party.

Dividends

The Directors do not recommend the payment of a dividend.

Directors

The following were Directors of the Company during the period ended 30 September 2001 :

BJ Cosgrove	
MW Hall	
G Parrott	(appointed 15 June 2001)
IS Pelling	
C Schreger	(resigned 15 June 2001)
HE Staunton	(appointed 15 June 2001)
J Willis	(resigned 30 November 2001)

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

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DIRECTORS' REPORT (continued)

Directors' interests

As Graham Parrott and Henry Staunton were directors of Granada plc at 30 September 2001, their interests in that company and its subsidiaries are shown in the financial statements of Granada plc.

Shareholdings in the ordinary share capital of the company, Granada plc and Granada Media plc beneficially owned by persons who as at 30 September 2001 were directors of the Company and their family interests and trusts of which their families are beneficiaries are as follows

Cosgrove Hall Films Limited

A Ordinary shares of 1p

As at	As at
30 September	1 January
2001	2001

BJ Cosgrove	12,500	12,500
MW Hall	12,500	12,500

In addition directors of the Company 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 2001.

	As at 1 January 2001	Number Granted in the year ended 30 Sept 2001	Number exercised/ vested in the year ended 30 Sept 2001	Number lapsed in the year ended 30 Sept 2001	As at 30 Sept 2001	Exercise Price	Exercise Period
Granada plc							
<i>Deferred Share Award Plan</i>							
J Willis	0	62,756	0	0	62,756		50% Jun 2002, 50% Jun 2003

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.

	As at 1 January 2001	Number Granted in the year ended 30 Sept 2001	Number exercised/ vested in the year ended 30 Sept 2001	Number lapsed in the year ended 30 Sept 2001	As at 30 Sept 2001	Exercise Price	Exercise Period
Granada Media plc							
<i>Savings Related Share Option Scheme</i>							
I Pelling	2,323	0	0	0	2,323	166p	Feb 2004 to Jul 2004
J Willis	10,124	0	0	0	10,124	166p	Feb 2006 to Jul 2006
<i>Approved and Unapproved Executive Share Option Schemes</i>							
MW Hall	922	0	0	0	922	226p	Dec 2003 to Dec 2010
I Pelling	922	0	0	0	922	226p	Dec 2003 to Dec 2010
J Willis	110,729	0	0	0	110,729	226p	Dec 2003 to Dec 2010
<i>Deferred Share Award Plan</i>							
J Willis	79,589	0	0	0	79,589		50% Dec 2001, 50% Dec 2002

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DIRECTORS' REPORT (continued)

Directors' interests (continued)

Auditors

During the period, the directors appointed KPMG Audit Plc as the auditor of the company.

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



Director

Anglia House
Norwich
NR1 3JG

Date: 12/7/02

Cosgrove Hall Films Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Independent Auditor's Report to the members of Cosgrove Hall Films Limited

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of 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 as at 30 September 2001 and of its loss for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc
P O Box 695
8 Salisbury Square
London EC4Y 8BB

Date: *26 July 2002*

Cosgrove Hall Films Limited

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 SEPTEMBER 2001

		9 Month Period ended 30-Sep-01	Year ended 31-Dec-00
	Note	£000	£000
Turnover	2	2,885	5,510
Cost of Sales		<u>(2,533)</u>	<u>(4,976)</u>
Gross Profit		352	534
Administrative expenses		(573)	(877)
Exceptional operating costs	4	-	(449)
Total operating costs		(573)	(1,326)
Operating loss from continuing operations		<u>(221)</u>	<u>(792)</u>
Net interest payable	6	(244)	(312)
Loss on ordinary activities before taxation	7	(465)	(1,104)
Taxation on loss on ordinary activities	8	48	339
Loss on ordinary activities after taxation		(417)	(765)
Dividends		-	-
Retained loss for the period	15	<u><u>(417)</u></u>	<u><u>(765)</u></u>

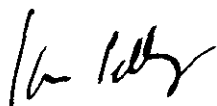
The result for the period derives from continuing activities. There are no gains or losses recognised in the year other than those passing through the profit and loss account. There is no material difference between the result disclosed in the profit and loss account and the result on an unmodified historic cost basis unmodified historic cost basis.

Cosgrove Hall Films Limited

BALANCE SHEET

	Note	30-Sep-01 £000	31-Dec-00 £000
Fixed assets			
Tangible assets	9	<u>426</u>	<u>414</u>
Current assets			
Stocks	10	1,902	1,098
Debtors	11	661	1,411
Cash at bank and in hand		-	255
		<u>2,563</u>	<u>2,764</u>
Creditors: amounts falling due within one year	12	<u>(2,796)</u>	<u>(2,823)</u>
Net current liabilities		<u>(233)</u>	<u>(59)</u>
Total assets less current liabilities		<u>193</u>	<u>355</u>
Creditors: amounts falling due after more than one year	13	<u>(4,719)</u>	<u>(4,464)</u>
Net liabilities		<u>(4,526)</u>	<u>(4,109)</u>
Capital and reserves			
Called up share capital	14	1	1
Share premium account	15	299	299
Profit and loss account	15	(4,826)	(4,409)
Equity shareholders' deficit	15	<u>(4,526)</u>	<u>(4,109)</u>

These financial statements were approved by the board of directors on 12/07/02 and were signed on its behalf by :



Director

Cosgrove Hall Films Limited

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

a) Basis of Accounting

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The going concern basis has been applied since the ultimate parent company has indicated its intention to provide continuing financial support.

b) Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the ground that the company qualifies as a small company.

c) Fixed Assets and Depreciation

Depreciation is calculated so as to write off on a straight line basis, the cost less estimated residual value of tangible fixed assets over their estimated useful lives at the following annual rate:

Fittings and equipment	4 Years
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d) 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. 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.

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

e) Stocks and work in progress

Work in progress is carried forward at the lower of total 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.

f) Deferred Taxation

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

1 Principal accounting policies (Continued)

g) Foreign Currencies

Exchange gains and losses arising from trading operations are included in trading profit. Assets and liabilities are translated into sterling at the rate applicable at the balance sheet date.

h) Pension Costs

The company is a member of the Anglia Television Group Pension Scheme, a defined benefit scheme. However, as permitted by FRS 17, 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's 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 shown are shown as the cost within the profit and loss account.

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.

2 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. All sales transactions took place in the United Kingdom.

3 Staff costs and numbers

The average numbers of persons employed by the Company (excluding directors) during the period was 68 (2000: 76).

The aggregate payroll costs of those persons were:

	Period ended 30-Sep-01 £000	Year ended 31-Dec-00 £000
Wages and salaries	1,225	1,719
Social Security costs	119	166
Other pension costs	56	84
	<u>1,400</u>	<u>1,969</u>

4 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 in 2000.

Cosgrove Hall Films Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Directors' emoluments

The directors' emoluments charged against operating profit are analysed as follows:

	Period ended 30-Sep-01 £000	Year ended 31-Dec-00 £000
Directors' emoluments	<u>168</u>	<u>253</u>
Emoluments payable to the highest paid director	<u>85</u>	<u>114</u>

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

Certain of the directors are also employees of Granada Television Limited and London Weekend Television Limited, other companies in the Granada Group. No charges were made by Granada Television Limited and London Weekend Television Limited for employees who are also directors of Cosgrove Hall Films Limited.

6 Net interest payable

	Period ended 30-Sep-01 £000	Year ended 31-Dec-00 £000
Interest payable to parent company undertaking	(254)	(347)
Other interest receivable	10	35
	<u>(244)</u>	<u>(312)</u>

7 Loss on ordinary activities before taxation

	Period ended 30-Sep-01 £000	Year ended 31-Dec-00 £000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit services	-	13
Hire of facilities and equipment - operating leases	65	86
Depreciation charge for the year:		
Tangible owned fixed assets	139	142

The audit fees in 2001 were paid by Granada plc, a group company

8 Taxation

	Period ended 30-Sep-01 £000	Year ended 31-Dec-00 £000
Taxation based on results for the year:		
Corporation tax at 30% (2000 at 30%)	(140)	(339)
Underprovision in prior year	92	-
Corporation tax	<u>(48)</u>	<u>(339)</u>

Tax losses will be utilised by group undertaking

Cosgrove Hall Films Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Tangible fixed assets

	Fittings & Equipment Total
<u>Cost</u>	£000
At 1 January 2001	1,085
Additions	151
At 30 September 2001	<u>1,236</u>
<u>Depreciation</u>	
At 1 January 2001	671
Charge for the period	139
At 30 September 2001	<u>810</u>
<u>Net book value</u>	
At 30 September 2001	<u>426</u>
At 31 December 2000	<u>414</u>

10 Stocks

	30-Sep-01 £000	31-Dec-00 £000
Work in progress	1,902	1,098
	<u>1,902</u>	<u>1,098</u>

11 Debtors

	30-Sep-01 £000	31-Dec-00 £000
Trade debtors	88	392
Prepayments and accrued income	81	316
Other Debtors	385	81
Amounts owed by fellow subsidiary undertakings	107	622
	<u>661</u>	<u>1,411</u>

Cosgrove Hall Films Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Creditors : amounts falling due within one year

	30-Sep-01 £000	31-Dec-00 £000
Trade Creditors	214	177
Amounts owed to fellow subsidiary undertakings	30	150
Accruals and deferred income	2,512	2,465
Taxation and social security payable	40	31
	<u>2,796</u>	<u>2,823</u>

13 Creditors: amounts falling due after more than one year

	30-Sep-01 £000	31-Dec-00 £000
Amounts owed to fellow subsidiary undertakings	4,719	4,464
	<u>4,719</u>	<u>4,464</u>

14 Share capital

	Authorised Allotted Called Up & Fully Paid £
As at 1 January 2001 and 30 September 2001 :	
Equity share capital	
25,000 'A' ordinary shares of 1p each	250
75,000 'B' ordinary shares of 1p each	750
	<u>1,000</u>

The company was incorporated with an authorised share capital of 1p A Ordinary shares and 1p B Ordinary shares

Rights attached to holders of A Ordinary and B Ordinary shares are as follows:

Every member shall have one vote in respect of every A share in which he is the holder and one vote in respect of every B share of which he is holder. All A and B shares rank pari pasu.

All sums distributed by the Company in any financial year are to be apportioned amongst the A and B shareholders in proportion to the number of shares held. All A and B shares rank pari pasu

In the event of a sale of the whole of the issued share capital, the proceeds are to be apportioned in proportion to the number of shares owned. All A and B shares to rank pari pasu.

Cosgrove Hall Films Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Reconciliation of movements in equity shareholders funds

	Share Capital £000	Share Premium £000	Profit & Loss Account £000	Total 30-Sep-01 £000
Balance at 31 December 2000	1	299	(4,409)	(4,109)
Retained (loss) for the period	-	-	(417)	(417)
Balance at 30 September 2001	<u>1</u>	<u>299</u>	<u>(4,826)</u>	<u>(4,526)</u>

16 Financial commitments

Operating Leases

At 30 September 2001 the Company had annual commitments under operating leases as set out below :

	30-Sep-01 Land and Buildings £000	31-Dec-00 Land and Buildings £000
Operating leases which expire In the second to fifth years	84	84
	<u>84</u>	<u>84</u>

17 Pensions

The Anglia Television Group Pension Scheme is a funded defined benefit scheme providing benefits based on final pensionable salary.

Particulars of the actuarial valuations of the group schemes are included in the accounts of Anglia Television Limited.

The pension costs for the year relating to this scheme were £41,042 (2000: £60,855). 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 £15,354 (2000: £25,028) and the outstanding contributions due at the end of the year were £nil (2000: £nil). The company's participation in this scheme ceased on 1 September 2001.

Cosgrove Hall Films Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Related party disclosures

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

Counterparty	Relationship	Nature of transaction	Value of sales to/(from)	
			2001 £	2000 £
Hullabaloo Studios Ltd	CHF director is father of Hullabaloo director	Rent payments Post production editing	30,230 (174,430)	29,442 (256,026)
United Broadcasting and Entertaining Limited	Member of ultimate controlling party group	Recharge of insurance cost Advance for programmes	- -	(9,763) 423,370
United News & Media Property Services	Division of member of previous ultimate controlling party group	Property services	-	(2,556)
Granada International	Parent undertaking	Compound interest Production invoices Advances and sales for programmes	(254,202) 93,961 670,812	(347,453) (117,500) 2,228,062
Yorkshire Television Limited	Member of ultimate controlling group	Post production editing	(4,427)	(7,915)
Granada Television Limited	Member of ultimate controlling party group	Payment of payroll on company's behalf Production recharges	(307,950) 17,731	(13,489) -
Anglia Television Limited	Member of ultimate controlling party group	Post production editing Music royalties	(1,994) -	(2,548) 17,566
Balances due from/(owed to) related parties				
Hullabaloo Studios Limited			(33,000)	(27,000)
United Broadcasting & Entertaining Limited			-	60,000
Granada International			(4,657,000)	(4,316,000)
Yorkshire Television Limited			(1,000)	(3,000)
Granada Television Limited			16,000	12,000
Anglia Television Limited			-	(2,000)

Cosgrove Hall Films Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Ultimate holding company

The directors regard International Television Enterprises London (ITEL), an unlimited company registered in the United Kingdom, as the immediate parent company. ITEL had a 75% interest in the equity share capital of the company at 31 December 2001. The ultimate holding company is Granada plc, a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Granada plc.

The consolidated accounts of these companies are available to the public from

The Secretary, The London Television Centres, Upper Ground, London, SE1 9LT