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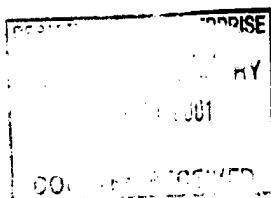
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UK CONSUMER ELECTRONICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2000

Registered No. 532857



UK CONSUMER ELECTRONICS LIMITED**DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report and financial statements for the year ended 30 September 2000.

Principal Activities

The principal activities of the Company continue to be the rental and retailing of televisions, video recorders, white goods, telephones, satellite dishes and receivers, related equipment and services. The Company also acts as an undisclosed agent of UK Retail Limited and as agent of G I L Insurance Limited.

Business Review

On 28 June 2000, as part of the merger of the domestic electrical rental interests of Thorn and Granada, the Company was acquired by Box Clever Finance Limited, a wholly-owned subsidiary of Box Clever Technology Limited. Box Clever Technology Limited is jointly owned by Rental Holding Company Limited and Granada UK Rental and Retail Limited.

Results and Dividends

The trading results for the year ended 30 September 2000 show a loss after taxation of £46,014,000 (1999: £14,109,000 profit as restated; see note 5). Dividends of £76,000,000 were proposed and paid during the year (1999: £Nil).

Directors

The directors of the Company during the year were:-

H R W Mavity (Chief Executive)
M J Neal
M A Armitage (resigned 22 June 2000)
J A D Cowan (resigned 22 June 2000)
K Ringrose (resigned 22 June 2000)

A D Gumham was appointed alternate director to H R W Mavity on 2 May 2001 and resigned 21 May 2001. No director has or had an interest in any contract or arrangement to which the Company or any subsidiary is or was a party.

Directors' Interests in Shares and Share Options

None of the Directors had a direct interest in the issued share capital of the Company. The beneficial interests of the Directors who held office at the end of the year in the shares of 'group' undertakings are as follows:-

	<u>Granada plc</u> <u>Ordinary shares of 10p</u> <u>At 30 September 2000</u>	<u>Granada Group plc</u> <u>Ordinary shares of 12.5p</u> <u>At 30 September 1999</u>
H R W Mavity	70,974	8,738
M J Neal	3,230	3,494

UK CONSUMER ELECTRONICS LIMITED**DIRECTORS' REPORT****(Continued)****Directors' Interests in Shares and Share Options (continued)**

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

The following Directors held share options under Granada Group PLC Executive and Savings-Related Share Option Schemes:-

	<u>At 30</u> <u>September 1999</u>	<u>Granted during</u> <u>the year</u>	<u>Exercised during</u> <u>the year</u>	<u>At 30</u> <u>September 2000</u>
H R W Mavity	26,377	84,132	107,132	3,377
M J Neal	79,631	40,000	71,614	48,017

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

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

Creditor payment policy

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions under which business transactions are conducted. This payment policy is subject to the supplier also complying with all relevant terms and conditions. The Company provides a centralised purchase ledger service to a number of other group companies. For consistency, the creditors payment period disclosed has been calculated by reference to total purchases processed using this service. Creditor days have been calculated at 43 days (1999: 168 days). It should be noted that the comparative figure includes the impact of Promissory Notes, which are no longer used by the group.

Political and charitable donations

The Company made no political donations (1999: Nil) and made charitable donations of £8,600 (1999: £1,800) during the current year.

UK CONSUMER ELECTRONICS LIMITED

DIRECTORS' REPORT

(Continued)


Employment Policies

- a) It is the policy of the Company to give full consideration to the employment, suitable placement and training of disabled persons on work they are qualified to do.
- b) There are established procedures for employees to receive regular news and information regarding the business and development of the Company. An Annual Report to Staff is circulated and arrangements are made for consultation to take place.

Auditors

In accordance with section 384 of the Companies Act 1985, 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


B A R Gerrard
Secretary
23 May 2001

Registered Office: Technology House
Amphill Road
Bedford
MK42 9QQ

UK CONSUMER ELECTRONICS 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.

REPORT OF THE AUDITORS, KPMG AUDIT Plc
TO THE MEMBERS OF UK CONSUMER ELECTRONICS LIMITED

We have audited the financial statements on page 6 to 24.

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 any information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Milton Keynes

28 June 2001

UK CONSUMER ELECTRONICS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2000

	<u>Note</u>	<u>2000</u>	<u>1999</u> As restated (see note 5) £'000
		£'000	£'000
Turnover - continuing operations		275,131	259,036
- discontinued operations		10,450	18,156
Other operating income - continuing operations		28,131	26,598
		<u>313,712</u>	<u>303,790</u>
Staff costs	(1)	(91,959)	(94,413)
Depreciation on tangible assets:			
Rental assets		(96,440)	(58,481)
Other assets		(9,192)	(8,377)
	(10)	<u>(105,632)</u>	<u>(66,858)</u>
Other operating costs (includes operating exceptional items of £37,186,000; see note (6))	(4)	(177,842)	(140,147)
Operating costs		<u>(375,433)</u>	<u>(301,418)</u>
Operating (loss) / profit - continuing operations		(59,845)	3,925
- discontinued operations		(1,876)	(1,553)
		<u>(61,721)</u>	<u>2,372</u>
Loss on the sale of a discontinued operation	(6)	(1,591)	-
Profit on the disposal of fixed assets	(6)	29,350	6,100
		<u>(33,962)</u>	<u>8,472</u>
Income from shares in group undertakings		2,171	11,138
Net interest	(7)	(11,282)	(8,451)
(Loss) / profit on ordinary activities before taxation		<u>(43,073)</u>	<u>11,159</u>
Taxation on (loss) / profit on ordinary activities	(8)	(2,941)	2,950
		<u>(46,014)</u>	<u>14,109</u>
Dividends on equity shares		(76,000)	-
Retained (loss) / profit on ordinary activities after taxation	(21)	<u>(122,014)</u>	<u>14,109</u>

A note of historical cost profits and losses and a statement of total recognised gains and losses are given on page 7.

The notes and accounting policies on pages 9 to 24 form part of these financial statements.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 2000

	<u>2000</u>	<u>1999</u> As restated (see note 5)
	£'000	£'000
(Loss) / profit on ordinary activities before taxation	(43,073)	11,159
Realisation of property revaluation surplus gains of previous years	-	172
	<u>(43,073)</u>	<u>11,331</u>
Historical cost (loss) / profit for the year retained after taxation	<u>(46,014)</u>	<u>14,281</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 2000

	<u>2000</u>	<u>1999</u> As restated (see note 5)
	£'000	£'000
(Loss) / profit for the year	(46,014)	14,109
Write down on tangible fixed assets	(506)	-
Total recognised gains and losses relating to the year	<u>(46,520)</u>	<u>14,109</u>
<i>Note on prior period adjustment</i>		
Total recognised gains and losses related to the year as above	(46,520)	
Prior period adjustment (as explained in note 5)	(39,971)	
Total gains and losses recognised since the last annual report	<u>(86,491)</u>	

The notes and accounting policies on pages 9 to 24 form part of these financial statements.

UK CONSUMER ELECTRONICS LIMITED**BALANCE SHEET AT 30 SEPTEMBER 2000**

	Note	2000	2000	1999	1999
		£'000	£'000	As restated (see note 5) £'000	As restated (see note 5) £'000
Fixed Assets					
Intangible Assets	(9)		30,392		49,742
Tangible Fixed Assets	(10)		180,460		297,214
Investments	(11)		58,310		14,658
			<u>269,162</u>		<u>361,614</u>
Current Assets					
Stocks	(12)	2,249		3,500	
Debtors: amounts falling due within one year	(13)	27,962		57,086	
Debtors: amounts falling due after more than one year	(13)	3,906		2,686	
Cash at bank and in hand		48,891		307,477	
		<u>83,008</u>		<u>370,749</u>	
Creditors:					
Amounts falling due within one year	(14)	(290,736)		(593,518)	
Net current liabilities			<u>(207,728)</u>		<u>(222,769)</u>
Total assets less current liabilities			<u>61,434</u>		<u>138,845</u>
Creditors:					
Amounts falling due after more than one year	(15)		-		(87)
Provision for liabilities and charges	(17)		(15,074)		(13,334)
Net Assets			<u>46,360</u>		<u>125,424</u>
Capital and Reserves					
Called Up Share Capital	(20)		119,577		110,005
Share Premium	(21)		33,884		-
Revaluation Reserve	(21)		391		897
Profit and Loss Account	(21)		(107,492)		14,522
Shareholders' Funds: Equity and non-equity	(22)		<u>46,360</u>		<u>125,424</u>

The financial statements were approved by the Board of Directors on 23 May 2001 and signed on its behalf by:


M J Neal
Director

The notes and accounting policies on pages 9 to 24 form part of these financial statements.

UK CONSUMER ELECTRONICS LIMITED**ACCOUNTING POLICIES****1. 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. The Company, being a wholly owned subsidiary at the end of the period, has made use of the dispensation of S228 of the Companies Act 1985 not to produce group financial statements.

All of the Company's voting rights are controlled within the group headed by Box Clever Technology Limited. The Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Box Clever Technology Limited, in which this company is included, can be obtained from the address given in note 27 to the financial statements.

The Company has adopted the following new Financial Reporting Standards ('FRS') for the first time:

FRS15 (Tangible fixed assets) addresses the measurement, valuation and depreciation of tangible fixed assets. The Company has adopted the transitional arrangements of the standard and has retained the book amounts of certain tangible assets which were previously revalued. It is expected that no further revaluations will be carried out.

FRS16 (Current tax) specifies how current tax, in particular withholding tax, should be reflected in financial statements.

2. Cash Flow Statements

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

3. Fixed Assets and Depreciation

Depreciation is provided at rates calculated to write off assets over their estimated useful lives.

Freehold Property	- On a straight line basis over 50 years
Long Leasehold Property	- On a straight line basis over 50 years
Short Leasehold Property	- On a straight line basis over the shorter of 5 years or next lease break
Equipment and showroom improvements	- On a straight line basis over 3 to 7 years
Motor vehicles	- On a straight line basis over 3 years to net realisable value

Rental Assets are stated at purchase price, less depreciation. Depreciation on Rental Assets is provided from date of first installation on the following basis:

Colour Television Sets	- On a straight line basis over 5 years
Video equipment	- On a straight line basis over 4 years
Whitegoods	- On a straight line basis over 4 years
Other Rental Assets	- On a straight line basis over 1 to 5 years
Acquired Rental Assets	- Over the remaining useful lives by reference to the ages of equivalent existing assets

UK CONSUMER ELECTRONICS LIMITED

ACCOUNTING POLICIES

(Continued)

4. **Stocks**

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

5. **Deferred Taxation**

Deferred taxation is provided in respect of assets and liabilities which it is considered may crystallise within the foreseeable future.

6. **Turnover**

Rental income receivable is brought into the financial statements on a monthly basis as it falls due, annual contracts being treated as having twelve monthly instalments (exclusive of Value Added Tax).

Disposal of ex-rental televisions, videos and associated services are included in turnover on a receivable basis (exclusive of Value Added Tax).

7. **Pension Costs**

Contributions to the Granada Group PLC pension schemes are charged against profits as payments are made. Further details of the pension schemes are provided in the notes to the financial statements.

8. **Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Goodwill is amortised to nil on a straight line basis over its estimated useful life (see note 9).

9. **Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at 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.

10. **Leases**

Operating lease rental payments are charged directly to the profit and loss account on an accruals basis.

11. **Employee Share Scheme**

The costs of funding the Employee Share Scheme are expensed as costs are incurred.

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****1. STAFF NUMBERS AND COSTS**

The average number of persons employed by the Company during the period was as follows:

	<u>2000</u>	<u>1999</u>
Full Time	4,311	4,734
Part Time (Full Time Equivalent)	480	396
	<u>4,791</u>	<u>5,130</u>

The aggregate payroll costs of these persons were as follows:

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Wages & Salaries	79,479	81,717
Social Security	6,182	6,286
Pension and Other Costs	1,868	99
	<u>87,529</u>	<u>88,102</u>
Employee Share Save Scheme	4,430	6,311
	<u>91,959</u>	<u>94,413</u>

2. PENSIONS

The UK pension scheme which covers employees is the Granada Pension Scheme operated by Granada Group PLC. The scheme is a defined benefit type with assets held in separate trustee administered funds. The 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 1 October 1998 assessment, the actuarial value of the assets of the scheme was sufficient to cover 120% of the benefits that has accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets as at 1 October 1998 was £1,478 million. The Company has made contributions of £1.8m (1999: £Nil) to the scheme following the joint venture between Thorn and Granada on 28 June 2000. Actuaries have advised that the significant changes in the composition of Granada Group will have a material impact on the future position of the main scheme and a new scheme will be introduced for the employees of the Company.

3. DIRECTORS' EMOLUMENTS

Staff costs include:	<u>2000</u>	<u>1999</u>
	£'000	£'000
Directors Emoluments	<u>799</u>	<u>909</u>

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

DIRECTORS' EMOLUMENTS (Continued)

The aggregate emoluments of the highest paid director, including benefits in kind, was £264,122 (1999: £241,000). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end was £50,630 (1999: £42,182). The highest paid director exercised share options during the year. He also received conditional awards of Ordinary Shares in Granada Group PLC under the Performance Share Plan as follows:

<u>30 September</u> <u>1999</u>	<u>Awarded in period</u>	<u>Vested in period</u>	<u>30 September</u> <u>2000</u>	<u>Vesting date*</u>
48,766	-	48,766	-	28 June 2000
54,812	-	54,812	-	28 June 2000
43,603	-	43,603	-	28 June 2000
<u>147,181</u>	<u>-</u>	<u>147,181</u>	<u>-</u>	

*These shares vested early as a result of the Box Clever transaction outlined in the directors' report. Full details of the scheme are disclosed in the financial statements of Granada Group PLC.

	<u>2000</u>	<u>1999</u>
Retirement benefits are accruing to the following number of directors under:	No.	No.
Defined benefit schemes	<u>2</u>	<u>4</u>

4. OTHER OPERATING COSTS

These include:	<u>2000</u>	<u>1999</u>
	£'000	£'000
Audit Fee	125	74
Fees to auditors for non-audit services	127	298
Operating Lease Costs:		
Plant & Machinery	7,667	6,252
Other Assets	22,061	21,468
Amortisation of Goodwill	<u>3,794</u>	<u>3,841</u>

Included within total for other operating costs for 1999 is £3.0m of expenditure on Y2K compliance work.

In 2000 the operating costs for discontinued operations were: Staff costs £4.5m (1999: £7.4m); Depreciation on Rental Assets £3.9m (1999: £4.9m); Depreciation on Other Assets £0.7m (1999: £0.9m); Other Operating costs £3.2m (1999: £6.5m).

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

5. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made representing the impact of a change in accounting policy regarding the recognition of promotional support for advertising received from product suppliers. The Company now deducts such allowances from the cost of the asset and only recognises promotional support where there is directly attributable back to back expenditure.

The prior period adjustment gives rise to a cumulative debit adjustment to opening reserves of £39,971,000 in the 2000 accounts. The comparative figures for 1999 have been restated in accordance with the new policy, resulting in a reduction of profit before tax of £8.8m. Had the new policy not been adopted in the current year, the profit before tax would have decreased by £4.5m.

6. EXCEPTIONAL ITEMS

(i) *Operating exceptional items:* Following the merger of the domestic electrical rental interests of Thorn and Granada on 28 June 2000, the directors decided to migrate major systems on to those used by the ex-Thorn trading entities. The directors have therefore provided £19.4m against the carrying value of the Granada systems being discontinued. Also as a result of the merger the directors no longer believe goodwill with a net book value of £17.7m has any continuing value to the business and have therefore written it off in the current year.

(ii) *Loss on sale of an operation:* The Company sold the trade and assets of the Granada Business Technology division to Granada Business Technology Limited on 23 June 2000 for £33m.

(iii) *Profit on the disposal of fixed assets:* During the year the Company sold fixed asset investments in subsidiaries at a book profit of £29.3m.

The corporation tax effect of the above exceptional items is considered to be nil.

7. NET INTEREST

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Interest Payable and similar charges:		
Bank Loans and Overdrafts	1,701	1,237
Finance lease finance charges	9	27
Loan Repayable within Five Years	64	85
Amounts payable to fellow subsidiary undertakings	6,111	25,783
Discounting charge on provision movements	3,863	670
	<u>11,748</u>	<u>27,802</u>
Interest Receivable:		
Amounts receivable from fellow subsidiary undertakings	(125)	(19,351)
Bank interest	(205)	-
Other Loans	(136)	-
	<u>11,282</u>	<u>8,451</u>

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

8. TAXATION

The charge for taxation in the profit and loss account has been calculated at the rate of 30% (1999: 30.5%) on the taxable profit for the year, and is made up as follows:

	<u>2000</u>	<u>1999</u>
	£'000	£'000
UK Corporation Tax	2,941	(2,950)
Deferred Taxation charge / (credit) - see note 19	-	-
	<u>2,941</u>	<u>(2,950)</u>

The UK Corporation tax credit for 1999 includes a £3.7m release of a general tax provision relating to earlier periods.

9. INTANGIBLE ASSETS - GOODWILL

	£'000
<u>COST</u>	
At beginning of the year	76,122
Additions	2,193
Write down in the year	(43,879)
At end of the year	<u>34,436</u>
<u>AMORTISATION</u>	
At beginning of the year	26,380
Charge for the year	3,794
Write down in the year	(26,130)
At the end of the year	<u>4,044</u>
<u>NET BOOK VALUE</u>	
At 30 September 2000	<u>30,392</u>
At 30 September 1999	<u>49,742</u>

The addition to goodwill reported above arose on the acquisition of £3,949,000 (1999: £1,283,000) of rental assets and £1,274,000 (1999: £Nil) of other assets from a number of businesses for a consideration of £7,416,000 (1999: £3,768,000).

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is amortised over periods of between 4 and 20 years.

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

10. **TANGIBLE ASSETS**

	<u>Freehold Property</u>	<u>Long Leasehold Property</u>	<u>Short Leasehold Property</u>	<u>Vehicles, Equipment & Fittings</u>	<u>Rental Assets</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000
<u>COST OR VALUATION</u>						
At beginning of the year						
As restated (see note 5)	1,645	814	6,222	86,167	471,020	565,868
Additions	2	-	73	9,652	43,547	53,274
Intra Group Additions	-	-	-	-	18,666	18,666
Business Acquired	-	-	-	-	685	685
Disposals	-	-	(114)	(47,423)	(83,342)	(130,879)
Business Disposals	-	-	(7)	(10,278)	(40,981)	(51,266)
Intra Group Disposals	-	-	-	-	(146)	(146)
Write down	(367)	(139)	-	-	-	(506)
Reclassification	-	-	(63)	63	-	-
At the end of the year	<u>1,280</u>	<u>675</u>	<u>6,111</u>	<u>38,181</u>	<u>409,449</u>	<u>455,696</u>
<u>DEPRECIATION</u>						
At beginning of the year						
As restated (see note 5)	-	-	5,957	46,537	216,160	268,654
Charge for the year	-	-	84	9,108	96,440	105,632
Intra Group Additions	-	-	-	-	14,825	14,825
Business Acquired	-	-	-	-	570	570
Disposals	-	-	(111)	(28,208)	(55,152)	(83,471)
Business Disposals	-	-	(2)	(7,308)	(23,547)	(30,857)
Intra Group Disposals	-	-	-	-	(117)	(117)
At the end of the year	<u>-</u>	<u>-</u>	<u>5,928</u>	<u>20,129</u>	<u>249,179</u>	<u>275,236</u>
<u>NET BOOK VALUE</u>						
At 30 September 2000	<u>1,280</u>	<u>675</u>	<u>183</u>	<u>18,052</u>	<u>160,270</u>	<u>180,460</u>
At 30 September 1999	<u>1,645</u>	<u>814</u>	<u>265</u>	<u>39,630</u>	<u>254,860</u>	<u>297,214</u>
<u>ANALYSIS OF COST OR VALUATION</u>						
Cost of assets not revalued	-	-	6,111	38,181	409,449	453,741
Historic cost of revalued assets	767	876	-	-	-	1,643
Revaluation on cost	513	(201)	-	-	-	312
	<u>1,280</u>	<u>675</u>	<u>6,111</u>	<u>38,181</u>	<u>409,449</u>	<u>455,696</u>
<u>ANALYSIS OF DEPRECIATION</u>						
Depreciation on assets not revalued	-	-	5,928	20,129	249,179	275,236
Depreciation on revalued assets	13	66	-	-	-	79
Revaluation on depreciation	(13)	(66)	-	-	-	(79)
	<u>-</u>	<u>-</u>	<u>5,928</u>	<u>20,129</u>	<u>249,179</u>	<u>275,236</u>

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

TANGIBLE ASSETS (Continued)

Included in Vehicles, Equipment & Fittings are a number of assets held under finance leases. The net book value of these assets at the 30 September 2000 was £Nil (1999:£Nil) and depreciation of £Nil (1999: £296,000) was charged during the year.

With effect from the start of the current financial year the useful economic lives for a number of categories of Rental Assets were reduced. The impact on the current year was to increase the depreciation charge by £27m.

11. **INVESTMENTS**

	£'000
COST	
At beginning of the year	16,352
Additions	44,128
Disposals	(250)
At end of the year	<u>60,230</u>
PROVISIONS	
At beginning of the year	(1,694)
Provided in year	(226)
At end of the year	<u>(1,920)</u>
NET BOOK VALUE	
At 30 September 2000	<u>58,310</u>
At 30 September 1999	<u>14,658</u>

Additions of £44,128,000 relate to the purchase of a number of investments in subsidiaries from Granada UK Rental and Retail Limited on a share-for-share basis on 12 May 2000. The £250,000 disposal arose on the sale of Clydesdale Insurance Services Limited and Servicecover (Guernsey) Limited to Granada UK Rental and Retail Limited.

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

INVESTMENTS (Continued)a) Investments in Principal Subsidiary Companies
at 30 September 2000

Granada Financial Services Limited, Granada Commercial Finance Limited, TSR Debt Recovery Services Limited, Allpath Finance Limited, Granada Finance Limited, Direct Vision Rentals Limited, Elecrent Properties Limited, TG Leasing Limited, ERG Finance Limited, Visionhire Consumer Electronics Limited, Visionhire Limited and UK Retail Limited.

The business of Granada Finance Limited is debt management. The business of TG Leasing and ERG Finance Limited is vehicle fleet management. The business of UK Retail Limited is the retailing and procurement of domestic electrical appliances. All other subsidiaries did not trade during the period.

b) The Directors are of the opinion that the market value of the above investments are not less than the book value shown at the Balance Sheet date.

c) All subsidiaries are 100% owned and capital comprises ordinary shares and are all subsidiaries are incorporated in England.

12. **STOCKS**

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Spare parts for rental equipment	1,928	2,959
Stocks for re-sale	321	541
	<u>2,249</u>	<u>3,500</u>

13. **DEBTORS**

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Falling due within one year:		
Trade Debtors	18,852	27,712
Amounts owed by subsidiary undertakings	1,025	-
Amounts owed by parent and fellow subsidiary undertakings	-	11,224
Other Debtors	1,832	7,919
Prepayments and Accrued Income	6,253	10,231
	<u>27,962</u>	<u>57,086</u>
Falling due after more than one year:		
Trade Debtors	<u>3,906</u>	<u>2,686</u>

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Amounts falling due within one year:		
Rentals received in advance	6,248	8,998
Trade Creditors	17,159	8,079
Amounts owed to subsidiary undertakings	41,770	16,358
Amounts owed to parent and fellow subsidiary undertakings	181,359	511,254
Amounts due under finance leases	-	101
Corporation Tax	6,215	4,088
Social Security	3,054	3,072
Other Creditors	23,466	24,590
Accruals	10,365	15,378
Loan Notes (B)	1,100	1,600
	<u>290,736</u>	<u>593,518</u>

The 'B' Loan Notes relate to the settlement consideration on acquisition of Teletape Video Limited and bear interest at 1/2% below the 'inter-bank deposit rate'. Repayment of 'B' loan notes is at three months notice for the holders during the period to 31 December 2004. Any Loan Notes outstanding at the end of this period will then fall due for repayment.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Amounts due under finance leases	-	87
	<u>-</u>	<u>87</u>

16. OBLIGATIONS UNDER FINANCE LEASES

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Obligations under finance leases are analysed as follows:		
Gross rentals due within 1 year	-	114
Gross rentals due within 2 to 5 years	-	91
	<u>-</u>	<u>205</u>
Less: future finance charges	-	(17)
Net obligation	<u>-</u>	<u>188</u>

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

17. PROVISION FOR LIABILITIES AND CHARGES

	<u>2000</u>	<u>1999</u> As restated (see note 5)
	£'000	£'000
Deferred Tax (see note 19)	-	-
Other Provisions (see note 18)	15,074	13,334
	<u>15,074</u>	<u>13,334</u>

18. OTHER PROVISIONS

	<u>Restructuring</u> £'000	<u>Property</u> £'000	<u>Holiday Pay</u> £'000	<u>Total</u> £'000
Balance at beginning of the year	-	12,806	528	13,334
Utilised during year	-	(4,953)	(14)	(4,967)
Provided in period	2,844	-	-	2,844
Movement on discounting	-	3,863	-	3,863
Balance at end of the year	<u>2,844</u>	<u>11,716</u>	<u>514</u>	<u>15,074</u>

The property provision is to cover the net discounted lease commitment on vacant properties held by the company. Changes in the provision will be dependent on movements in the property portfolio. During the current year the discount rate was revised from 10% to 7%, resulting in a net charge of £1,335,000 in the period.

The holiday pay provision is in respect of contractual holiday pay obligations for certain current employees. The provision will be utilised as the relevant employees leave the Company.

The restructuring provision is in respect of the cost of fulfilling undertakings given to the DTI regarding their approval of the merger between the Granada and Thorn domestic electrical rental interests. It is envisaged that the provision will be utilised during the next financial year.

19. DEFERRED TAX

	£'000
Balance at beginning of the year	
As previously reported	4,614
Prior period adjustment	(4,614)
As restated	-
Profit and Loss Account	-
Balance at end of the year	<u>-</u>

UK CONSUMER ELECTRONICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

DEFERRED TAX (Continued)

Provision has been made for deferred taxation calculated on the liability method. Details of the provision are set out below:

	<u>Full Potential</u> <u>Liability</u> <u>2000</u>	<u>Provision</u> <u>Made</u> <u>2000</u>	<u>Full Potential</u> <u>Liability</u> <u>1999</u> <small>As restated (see note 5)</small>	<u>Provision</u> <u>Made</u> <u>1999</u> <small>As restated (see note 5)</small>
	£'000	£'000	£'000	£'000
Differences between accumulated depreciation and capital allowances	(6,420)	-	(16,219)	-
Revaluation Surplus	117	-	269	-
Other short term timing differences	(3,837)	-	(3,321)	-
Deferred Tax Asset	<u>(10,140)</u>	<u>-</u>	<u>(19,271)</u>	<u>-</u>

20. **CALLED UP SHARE CAPITAL**

	<u>2000</u> £'000	<u>1999</u> £'000
Authorised, allotted, called up and fully paid; 1(1999: Nil) IPT Share of £1	-	-
119,576,756 (1999: 110,005,000) Ordinary Shares of £1 each	119,577	110,005
	<u>119,577</u>	<u>110,005</u>

On 12 May 2000, the Company issued 9,271,222 Ordinary Shares of £1 each to Granada UK Rental and Retail Limited, at a value of £4.54 per share, in consideration for the transfer of a number of investments in subsidiary undertakings. Further details are contained in note 11. The Company also issued 300,534 Ordinary Shares of £1 each, at a value of £4.54 per share, to Granada UK Rental and Retail Limited in consideration for the transfer of a debt with UK Rental Services Limited.

On 21 June 2000, the Company issued an IPT Share of £1 to Box Clever Technology Limited at nominal value. The Company is currently party to legal proceedings against HM Customs & Excise, regarding the introduction of higher rate IPT. The holder of the IPT Share is entitled, in priority to the holders of any other shares in the Company, to receive out of the profits of the Company available for distribution a dividend equal to the amount of any IPT litigation proceeds received by the Company to the extent that it can be paid as a lawful dividend. Other than this the IPT Share has no rights to participate in profits and assets of the Company.

On a winding-up, the holder of the IPT Share is entitled to, in priority to any other class of share, receive an amount equal to the amount paid up on the share, together with an amount equal to any dividend which may have become payable at that date.

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

CALLED UP SHARE CAPITAL (Continued)

The holder of the IPT Share is only entitled to vote on resolutions regarding the rights, privileges, limitations or restrictions attached to the IPT Share or those resolutions specifically requiring their consent. These include (a) changes in the share capital structure, (b) winding-up the Company, (c) approval of a voluntary arrangement, or (d) authority to make payment of a dividend or other distribution to the extent that such reserves are attributable to the IPT litigation proceeds.

21. **RESERVES**

	<u>Revaluation</u>		<u>Profit and Loss</u>		
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Reserve</u>	<u>Account</u>	<u>Total 2000</u>
	£'000	£'000	£'000	£'000	£'000
At beginning of year					
As previously reported	110,005	-	897	54,493	165,395
Prior period adjustment	-	-	-	(39,971)	(39,971)
As restated	110,005	-	897	14,522	125,424
Total recognised losses for the year	-	-	-	(122,014)	(122,014)
Share issues in the period	9,572	33,884	-	-	43,456
Impairment write down on properties	-	-	(506)	-	(506)
Balance at end of year	119,577	33,884	391	(107,492)	46,360

22. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2000</u>	<u>1999</u>
	£'000	£'000
(Loss) / profit for the year	(46,014)	14,109
Dividends on equity shares	(76,000)	-
	(122,014)	14,109
Other recognised losses	(506)	-
New share capital subscribed	43,456	-
Net (reduction) / addition to shareholders' funds	(79,064)	14,109
Opening shareholders' funds (after prior year adjustment of £39,971,000)	125,424	111,315
Closing shareholders' funds	46,360	125,424

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

25. CONTINGENT LIABILITIES

Under the Box Clever VAT Group Registration, UK Consumer Electronics Limited is jointly and severally liable for VAT due by other Group companies. As at 30 September 2000 this amounted to £2.5 million (1999:£38.1 million under the Granada Group VAT Group Registration).

Under the Box Clever Technology Group loan arrangements the Company is subject to a Debenture. The Debenture creates a legal mortgage over all property, buildings and fixtures, fixed and floating charges over the assets of the Company and of its subsidiaries and a mortgage and charge on the Group Shares. Borrowings under these Group arrangements totalled £860m at 30 September 2000.

26. RELATED PARTY TRANSACTIONS

Certain insurance premiums due to GIL Insurance Limited ("GIL") are collected on its behalf by the Company. The Company also receives retailer commissions and acts as repair agent.

Prior to 28 June 2000, the Company and GIL were both wholly owned subsidiaries within the group headed by Granada Group PLC. On 28 June 2000, the Company was sold to Box Clever Finance Limited and as such the exemption contained within FRS8 'Related Party Transactions' no longer applies. However, the Company has continued to collect premiums on behalf of GIL, continued to receive retailer commissions and to act as repair agent. A profit share agreement has also been entered into between the companies.

The value of transactions between 28 June 2000 and 30 September 2000 amounted to:-

£8.4m Gross premiums collected on behalf of GIL;
 £0.9m Claims costs charged to GIL;
 £2.3m Retailer commissions payable by GIL; and
 £4.1m Profit share payable by GIL.

The balance outstanding at the year end for amounts owed by the Company to GIL totalled £0.3m. At the end of the year there is also a balance of £6.4m included within 'Accruals and deferred income' relating to a prepayment of service costs by GIL made during the current year.

Similarly, the exemption contained within FRS8 'Related Party Transactions' no longer applies to transactions between the Company and Granada UK Rental & Retail Limited ("GUKR&R") and Granada Business Technology Limited ("GBT"). The value of transactions between 28 June 2000 and 30 September 2000 amounted to:-

£0.1m of Loan interest charged to GUKR&R
 £0.9m of Loan repayments by GUKR&R; and
 £2.9m of cost recharges (including payroll) made to GBT.

The balance outstanding at the year end for amounts owed by GUKR&R to the Company totalled £6.5m. The balance outstanding at the year end for amounts owed to GBT by the Company totalled £28,000.

UK CONSUMER ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

27. **ULTIMATE HOLDING COMPANY**

The Company is a subsidiary of Box Clever Finance Limited, a company registered in England and Wales. Until 28 June 2000, the ultimate holding company was Granada Group Plc, a company incorporated in England and Wales. The results of the Company are consolidated in the group accounts of Granada Group Plc to that date. From 28 June 2000 the ultimate holding and controlling party is Box Clever Technology Limited, a company registered in England and Wales. The Company has been included in group accounts prepared by Box Clever Technology Limited and copies of the financial statements may be obtained by applying to - Technology House, Ampthill Road, Bedford, MK42 9QQ.

UK CONSUMER ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (Continued)

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Closing shareholders' funds comprises:		
Equity	46,360	125,424
Non-equity (see below)	-	-
	<u>46,360</u>	<u>125,424</u>

Non-equity shareholders' funds: During the year a non-equity IPT Share was issued at the nominal value of £1 (see note 20) representing the non-equity shareholders' fund carried forward at the end of the year.

23. **CAPITAL COMMITMENTS**

The aggregate amount of capital expenditure not dealt with in these financial statements for contracts placed is £18,312,000 (1999: £28,866,000). The amount of expenditure authorised by the directors but not yet contracted is £2,424,000 (1999: £2,500,000).

24. **LEASING COMMITMENTS**

There were annual commitments under operating leases at 30 September 2000 as follows:

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Land and buildings		
Expiring within one year	1,206	1,087
Expiring in the second to fifth year	5,568	5,594
Expiring after the fifth year	15,325	16,162
	<u>22,099</u>	<u>22,843</u>
Other operating leases		
Expiring within one year	1,894	533
Expiring in the second to fifth year	2,957	4,383
Expiring after the fifth year	3	24
	<u>4,854</u>	<u>4,940</u>