

Granada: history, activities and group structure

1. Granada is a media company involved in commercial broadcasting, programme making and the supply of services to the television and film industries. In the year to 30 September 2002 group turnover was £1,427 million, the loss before tax was £378 million and shareholders' funds at the year end were £1,641 million. The average number of employees employed by the Granada group in the year to 30 September 2002 was 4,696 (2001: 30,797 including 25,693 in the hospitality business prior to its demerger in February 2001). The loss for the year to 30 September 2002 was arrived at after taking account of losses of £214 million on discontinued operations. In the six months to 31 March 2003 the group trading position improved with an unaudited pre-tax loss of £13 million (2002: pre-tax loss of £169 million). The shares of Granada are listed on the London Stock Exchange and at 30 June 2003 the group's equity market capitalization was £2.5 billion. At 27 November 2002 Granada had been notified of six holdings of 3 per cent or more in its ordinary share capital which together amounted to 21.34 per cent.

2. The predecessor holding company to Granada was Granada Group plc (Granada Group), which was incorporated in 1934 to acquire the theatre and cinema operations of Bernstein Theatres, a company owned by Sidney Bernstein (later Lord Bernstein) and his brother Cecil. Granada Group obtained a listing on the London Stock Exchange in the following year. In 1954 Granada Group was awarded one of the UK's first commercial television programme contracts for weekday broadcasts in the North of England. In 1961 Granada Group diversified into television rental and in 1965 it opened its first motorway service area. Many of the cinemas were converted to bingo halls in the 1960s and 1970s and that business was sold in 1991. In the 1990s Granada Group made a number of strategic acquisitions. In the non-broadcasting area it acquired Sutcliffe (contract catering) and Spring Grove (textile rental) in 1993, Pavilion Leisure (motorway catering), Direct Vision Rentals in 1994 and Forte (hotels and catering) in 1996 for £4 billion. In broadcasting it acquired LWT in 1994 and Yorkshire TV and Tyne-Tees TV in 1997.

3. A major reorganization of Granada Group involving a series of transactions took place in 2000. In May 2000 Granada Group and Compass Group Holdings PLC (Compass Group) entered into a merger agreement which set out the basis of the proposed merger between the two groups and the subsequent demerger of the enlarged hospitality business of the two groups. The merger became effective on 27 July 2000 at which stage all the existing share capital of Granada Group was cancelled and shareholders in Granada Group received shares in a newly established company, Granada Compass plc (Granada Compass), which itself obtained a Stock Exchange listing. In June 2000, Granada Group merged its television and video consumer rental business with the equivalent business of Radio Rentals to form Box Clever, a 50:50 joint venture between Granada Group and Nomura International plc,¹ in a deal which realized £511 million in cash for the group. On 17 July 2000, 20 per cent of the share capital of Granada Media plc (Granada Media), which was the holding company for most of Granada Group's media interests, was sold to investors for £1,545 million and a listing was obtained for the shares on the London Stock Exchange. Following the merger of Granada Group and Compass Group, Granada Media was an 80 per cent owned subsidiary of Granada Compass. In February 2001 Granada Compass demerged its hospitality business into Compass Group plc, a newly listed company, and changed its name to Granada plc. Shareholders in Granada received shares in Compass Group plc at the time of the de-merger. On the same date the minority shares in Granada Media were cancelled, with shareholders in the company receiving shares in Granada.

4. Following a report by the CC in 2000,² Granada Compass acquired in October 2000 Anglia TV, HTV and 80 per cent of Meridian TV from UNM. The HTV licence was subsequently sold in January 2001 to Carlton, part of the consideration consisting of Carlton's 20 per cent minority shareholding in Meridian TV, but Granada retained HTV's production interests. In 2001 Granada acquired Border TV

¹On 27 March 2002, the interest of Nomura International plc was transferred to Terra Firma Capital Partners I, whose ultimate parent company is Terra Firma Capital Partners Holdings Limited.

²*Carlton Communications Plc and Granada Group PLC and United News and Media plc: a report on the three proposed mergers*, The Stationery Office, Cm 4781, July 2000.

from Capital Radio. Granada now holds seven of the 15 ITV regional licences: Anglia TV (East Anglia), Border TV (Cumbria and the Scottish borders), Granada TV (North-West), LWT (London Weekend), Meridian TV (South-East), Tyne-Tees TV (North-East) and Yorkshire TV (Yorkshire and Humberside).

5. In March 2002 ONdigital, the digital terrestrial joint venture with Carlton which had been established in 1997 and began broadcasting in 1998, was placed in administration and is now in liquidation.

6. In the 2002 accounts the directors of Granada stated that following the demerger of the hospitality business to Compass Group plc, the group had only one continuing business segment which included interests in broadcasting, production, digital television and other media activities. Granada now largely consists of two integrated divisions: Granada Broadcasting Enterprises which includes Granada's seven regional ITV licences and Granada's airtime sales operation; and Granada Content, which covers all Granada's production companies. It also owns Granada Business Technology Limited, a business to business operation delivering interactive video solutions to the UK hotel sector.

Granada Broadcasting Enterprises

7. Granada Broadcasting Enterprises comprises the following main activities:

- (a) seven of the 15 regional ITV licences in the UK (see paragraph 4);
- (b) airtime sales for the seven Granada regional licensees and for two other ITV licensees Channel TV and Ulster TV; and
- (c) provision of marketing opportunities through programme sponsorship, online activity and merchandising.

Granada Content

8. Granada Content comprises the following main activities:

- (a) UK programme production and distribution;
- (b) international programme production and distribution in the USA, Australia and Germany; and
- (c) Granada Learning provides educational resources and services to the UK educational sector.

Granada's other media interests

9. Granada owns a number of interests in other UK media businesses including 16.89 per cent of SMG, 20 per cent of GMTV (with a further 5 per cent being held in a joint venture company in which Granada has a 20 per cent shareholding), 20 per cent of ITN, 50 per cent of London News Network (the balance being owned by Carlton), 55.9 per cent of ITV2 (the balance being owned by Carlton), 32.5 per cent of ITV News (the balance being owned 32.5 per cent by Carlton and 35 per cent by NTL), 20 per cent of GSkyB (which operates pay television channels and in which Granada's economic interest is 50.5 per cent), and 33.3 per cent of MUTV (which operates a television channel dedicated to Manchester United football club, with the other shares being held equally by Manchester United and BSkyB).