Granada Group Limited

Directors' report and financial statements

Registered number 290076

Year ended 31 December 2008

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008. The comparatives are for the year ended 31 December 2007.

Principal activities and business review
The principal activity of Granada Group Limited ("the Company") continues to be to act as a holding company.

The Company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review.

Principal transactions and post balance sheet events
During the year the ITV plc group continued the operational and legal restructuring programme, commenced in 2004, to simplify the corporate structure.

Capital reduction
On 10 December 2008 the Company passed a special resolution cancelling the authorised but un-issued share capital so that the authorised share capital became 87,411,271 Convertible Preference shares of £0.00000001144 each and 2,181,174,248 Ordinary shares of £0.000000000045 each. Immediately following the cancellation of the authorised but un-issued share capital, a reduction of the Company's authorised and issued share capital to 87,411,271 Convertible Preference shares of £0.00000001144 each and 2,181,174,248 Ordinary shares of £0.000000000045 each was effected and the amounts standing to the credit of the Company's share premium and capital contribution reserve were cancelled. The capital reduction became effective on 16 December 2008. The resulting credits were applied to the profit and loss account.

Dividends
During the year the Company paid an interim dividend of nil *(year ended 31 December 2007: £1,350 million)*. The directors do not recommend the payment of a final dividend *(year ended 31 December 2007: £nil)*.

Directors
The following were directors of the Company during the year ended 31 December 2008:

	Appointment date	Resignation date
John Cresswell		
Helen Tautz		18 November 2008
James Tibbitts		15 May 2009
Andrew Garard	15 May 2009	
Helen Tautz	15 May 2009	

Donations
Grants and charitable donations made during the year amounted to £nil *(year ended 31 December 2007: £nil)*. There were no political contributions made during the year *(year ended 31 December 2007: £nil)*.

Auditor and disclosure of information to auditor
The directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

.....H Tautz.....
Helen Tautz
Director

The London Television Centre
Upper Ground
London SE1 9LT

22 October 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 Granada Group Limited

We have audited the financial statements of Granada Group Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditor
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Date: 27 October 2009

Profit and Loss account

	Note	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Amounts written off investments in subsidiaries		(732)	-
Income received from fixed asset investments	*3*	-	2,000
Interest payable and similar charges	*4*	(2)	(43)
(Loss)/profit on ordinary activities before taxation		(734)	1,957
Taxation on (loss)/profit on ordinary activities	*5*	-	-
(Loss)/ profit for the year	*11*	(734)	1,957

As stated in the Directors' report the results stated above are all derived from continuing activities.

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

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

The notes on pages 6 to 12 form part of the financial statements.

Balance sheet

	Note	31 December 2008		31 December 2007	
		£m	£m	£m	£m
Fixed assets					
Investments in subsidiary undertakings	*6*		**2,081**		2,813
Current assets					
Cash in hand and short term deposits		**24**		26	
		24		26	
Current liabilities					
Creditors: amounts falling due within one year	*7*	**(16)**		(16)	
Net current assets			**8**		10
Creditors: amounts falling due after one year	*8*		**-**		(86)
Net assets			**2,089**		2,737
Capital and reserves					
Called up share capital	*9*		**-**		272
Share premium account	*10*		**-**		189
Capital contribution reserve	*10*		**-**		1,576
Profit and loss account	*10*		**2,089**		700
Equity shareholders' funds			**2,089**		2,737

The notes on pages 6 to 12 form part of the financial statements.

These financial statements were approved by the board of directors on 22 October 2009 and were signed on its behalf by:

John Cresswell
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

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

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Cash flow statement

Under FRS1 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.

Related party transactions

As the Company is a wholly owned subsidiary of ITV plc, the Company has also taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of ITV plc, within which this Company is included, can be obtained from the address given in note 12.

Taxation

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

Deferred tax is recognised and computed without discounting. Full provision is made in respect of all timing differences between the treatment of certain items in the financial statements and their treatment for taxation purposes at the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not that the asset will be recovered.

Investments

Investments are stated at cost less any amounts written off in respect of permanent diminution in value.

Dividends

Dividends are recognised through equity in the period in which they are declared.

Notes (continued)

1 Accounting policies (continued)

Financial instruments

As required by FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2 Staff costs, directors' and auditor's remuneration

The auditor's remuneration of £500 has been borne by another group company in the current and prior year. Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, ITV plc.

No director received any emoluments for their services to this Company *(2007: £nil)*. There were no employees and hence no staff costs during the year *(2007: £nil)*.

3 Income from fixed asset investments

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Dividends from group undertakings	-	2,000

4 Interest payable and similar charges

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Net interest payable on bank loans and overdrafts	**2**	43

Notes *(continued)*

5 Taxation

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Analysis of credit/(charge) in year		
Current tax		
UK Corporation tax on (loss)/profit for the year	-	-
Total current tax (see below)	-	-
Tax on (loss)/profit on ordinary activities	-	-

Factors affecting the tax credit/(charge) for the current year

The current tax credit for the year ended 31 December 2008 is lower (year ended 31 December 2007: charge, lower) than the standard rate of corporation tax in the UK (year ended 31 December 2008: 28.5%, year ended 31 December 2007: 30%). The differences are explained below:

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(734)	1,957
Current tax (credit)/charge at 28.5% *(2007: 30%)*	209	(587)
Effects of:		
Permanent differences and group relief	(209)	587
Total current tax credit/(charge) (see above)	-	-

Notes *(continued)*

6 Investments in subsidiary undertakings

	Total £m
Cost	
At 1 January 2008 and 31 December 2008	**2,813**
Provision	
At 1 January 2008	-
Charge in the year	(732)
At 31 December 2008	**(732)**
Net book value	
At 31 December 2008	**2,081**
At 31 December 2007	2,813

The principal directly owned subsidiary undertakings of the Company, at 31 December 2008, all of which are wholly owned and incorporated and registered in England and Wales are:

Name	**Principal activity**
Granada Media Limited	Holding company
ITV Pension Scheme Limited	Trustee of ITV Group Pension Scheme

7 Creditors: amounts falling due within one year

	31 December 2008 £m	31 December 2007 £m
Bank overdrafts	**16**	16
	16	16

Notes *(continued)*

8 Creditors: amounts falling due after one year

	31 December 2008 £m	31 December 2007 £m
Convertible preference shares	-	86

9 Called up share capital

	31 December 2008 £m	31 December 2007 £m
Authorised		
Ordinary Shares 2,181,174,248 of £0.000000000045 each *(31 December 2007: 2,504,098,700 shares of 12.5p each)*	-	313
Convertible Preference Shares 87,411,271 of £0.00000001144 *(31 December 2007: 87,411,271 shares of 10p)* each	-	9
New Convertible Preference Shares Nil *(31 December 2007 :32,465,354 of 10p) each*	-	3
	-	325
Issued and fully paid		
Ordinary Shares	-	-
2,181,174,248 at £0.000000000045 each *(31 December 2007: 2,181,174,248 at 12.5p each)*	-	272
Convertible Preference Shares 87,411,271 at £0.00000001144 each *(31 December 2007: 87,411,271 at 10p each)*	-	-
	-	272

The convertible preference shares were shown on the balance sheet as a liability of £86 million in accordance with FRS 25.

Notes *(continued)*

9 Called up share capital *(continued)*

The convertible preference shares may be converted into fully paid ordinary shares on the basis of 66 2/3 ordinary shares for every 100 convertible preference shares. Conversion may only take place on a conversion date which, up to and including 2003, was 30 April. Between 1 July 2003 and 31 January 2009 the Company has the right to redeem at any time any outstanding shares for £1 per share; any shares outstanding on 31 January 2009 shall be redeemed by the Company on the same terms. Under FRS 25 the convertible preference shares fall within the definition of debt for accounting purposes. However, they meet the definition of equity shares for Companies Act purposes because the rights on a winding up are not limited to a specific amount.
The convertible preference shares carry only very limited voting rights. The holders of such shares are entitled to vote in respect of them at any General Meeting of the Company (i) if at the date of such meeting the preferential dividend is in arrears for six months or more after any fixed payment date or (ii) a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the convertible preference shares, in which case such holders shall have the right to vote only on such resolution.

Capital reduction

On 10 December 2008 the Company passed a special resolution cancelling the authorised but un-issued share capital so that the authorised share capital became 87,411,271 Convertible Preference shares of £0.00000001144 each and 2,181,174,248 Ordinary shares of £0.000000000045 each. Immediately following the cancellation of the authorised but un-issued share capital, a reduction of the Company's authorised and issued share capital to 87,411,271 Convertible Preference shares of £0.00000001144 each and 2,181,174,248 Ordinary shares of £0.000000000045 each was effected and the amounts standing to the credit of the Company's share premium and capital contribution reserve were cancelled. The capital reduction became effective on 16 December 2008. The resulting credits were applied to the profit and loss account.

10 Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Capital contribution reserve £m	Profit and loss account £m	**Total £m**
At 1 January 2008	272	189	1,576	700	**2,737**
Capital reduction	(272)	(189)	(1,576)	2,037	-
Loss for the year	-	-	-	(734)	**(734)**
Cancellation of preference shares	-	-	-	86	**86**
At 31 December 2008	-	-	-	**2,089**	**2,089**

Notes *(continued)*

11 Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2008 of £13 million (31 December 2007: £28 million).

The Company and certain other Group companies have entered into an arrangement for a joint bank account with Barclays Bank PLC and are jointly and severally liable in respect of any overdraft arising on the Group joint bank account. At 31 December 2008 this contingent liability amounted to £nil (31 December 2007: £nil).

In the opinion of the Directors, adequate allowance has been made in respect of these matters.

12 Ultimate parent company

At 31 December 2008 the Company's immediate parent company was Granada Limited, a company incorporated and registered in England and Wales and the Company's ultimate parent company was ITV plc, a company incorporated and registered in England and Wales.

The largest and smallest group in which the results of the Company were consolidated was that headed by ITV plc. The consolidated accounts of ITV plc are available to the public and may be obtained from the Company Secretary, The London Television Centre, Upper Ground, London SE1 9LT.