

CENTRAL INDEPENDENT TELEVISION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2004

REGISTERED NUMBER: 1490357



CENTRAL INDEPENDENT TELEVISION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

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CENTRAL INDEPENDENT TELEVISION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and the audited financial statements for Central Independent Television Limited ("the company") for the year ended 31 December 2004. The comparatives are for the 15 month period ended 31 December 2003.

Principal activities, review of the business and future development

The Company's principal activity continues to be the provision of the East, West and South Midlands regional ITV1 television service under a regional Channel 3 licence granted by the Office of Communications, as well as the production and commissioning of programmes for broadcast on ITV and other channels. The Company's regional Channel 3 licence was replaced in December 2004 in line with the provisions of the Communications Act 2003. The "digital replacement licence" is equivalent to the previous licence in most material respects and provides for the service to be broadcast via digital terrestrial and analogue terrestrial transmission. The licence runs until December 2014 at which point it may be renewed for a further ten year period.

The results for the year are shown in the Profit and Loss Account on page 8 of these financial statements.

Principal transactions and post balance sheet events

On 2 February 2004 the merger between Granada plc and Carlton Communications Plc became effective and ITV plc was listed on the London Stock Exchange.

Following the merger of Granada plc with Carlton Communications Plc in February 2004, Granada shareholders received one ITV plc ordinary 10 pence share for each Granada plc share held, and Carlton shareholders received 1.9386 ITV plc 10 pence ordinary shares and 0.1835 ITV plc 10 pence convertible shares for each Carlton Communications Plc share held.

At an Extraordinary General Meeting of Granada plc held on 17 September 2004 the shareholders passed a special resolution approving the re-registration of Granada plc as a limited company. The re-registration was registered by the Company Registrar on 21 September 2004 and the Company is now called Granada Limited.

At an Extraordinary General Meeting of Carlton Communications Plc held on 27 September 2004 the shareholders passed a special resolution approving the re-registration of Carlton Communications Plc as a limited company. The re-registration was registered by the Company Registrar on 27 September 2004 and the Company is now called Carlton Communications Limited.

Subsequent to the merger, the ITV plc group commenced an operational and legal restructuring programme with the objectives to deliver synergies from the merger, rationalise intercompany funding arrangements, streamline dividend flows through the group structure, maximise retained earnings at the parent company level and eliminate unnecessary companies. The initial stages of the restructuring programme are considered to have furthered the achievement of the objectives and the restructuring programme is expected to continue during 2005.

Post balance sheet events are described in Note 20 to these financial statements.

Dividends

In December 2004 the Company paid a cash dividend of £99,359,584, (15 months to 31 December 2003: £80,000,000) with £62,013,000 being distribution of other reserves and £37,346,384 paid from current year profit and loss reserves.

Directors

The following were directors of the Company during the year ended 31 December 2004:

	Appointment Date	Resignation Date
Charles Allen	1 st July 2004	
David Croft	4 th November 2004	
Michael Desmond	1 st July 2004	18 th July 2005

CENTRAL INDEPENDENT TELEVISION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Appointment Date	Resignation Date
Michael Green	1 st July 2004	
Ian Hughes		1 st July 2004
Clive Jones		
Kevin Johnson		30 th September 2004
Sir Michael Lyons		
Ian McCulloch	1 st July 2004	18 th July 2005
Stephen Platt		13 th January 2004
Coleena Reid		30 th April 2004
Madhu Sharma		
Ian Squires		
Laurence Upshon		30 th September 2005

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

Directors' interests and share options

The shareholdings of Charles Allen in the share capital and interests in share options of ITV plc are disclosed in the accounts of ITV plc for the year ended 31 December 2004. The shareholdings of David Croft, Michael Desmond, Michael Green, Clive Jones and Ian McCulloch in the share capital and interests in share options of ITV plc are disclosed in the accounts of Carltonco 120 for the year ended 31 December 2004. A copy of the accounts of ITV plc and Carltonco 120 Limited can be obtained from the Company Secretary at the registered office address. Sir Michael Lyons and Madhu Sharma have no interest in shares or options of ITV plc.

Shareholdings in the share capital of ITV plc beneficially owned by the other directors and their family interests are set out below.

	31 December 2004		31 December 2003		
	ITV plc Ordinary 10p shares	ITV plc Convertible 10p shares	Granada plc Ordinary 10p shares	Carlton Communications Plc Ordinary 5p shares	Carlton Communications Plc Convertible 5p shares
Ian Squires	5,658	535	-	5,493	-
Laurence Upshon	9,004	852	-	8,645	-

In addition to the above, directors of the Company held options and awards under the Carlton Communications and ITV share schemes, details of which are set out below. Performance conditions attached to the various ITV Schemes and Awards are disclosed in the report and accounts of ITV plc which is the highest company in the Group structure that has prepared audited consolidated accounts for the year to 31 December 2004.

Details of the performance conditions attached to the various Carlton Communications schemes and awards are disclosed in the report and accounts for Carltonco 120 Limited which has prepared audited accounts for the year to 31 December 2004.

Post Merger Adjustment of Options and Awards

Carlton Options

Following the merger of Granada plc with Carlton Communications Plc in January 2004, ordinary shares of Carlton were converted at an exchange rate of 1.9386 ITV ordinary shares and 0.1835 ITV convertible shares for every Carlton ordinary share held.

All rights under the various Carlton share option schemes, other than those granted after 1 December 2002, became exercisable as a result of the merger up to 5 March 2004. Any Carlton ordinary shares acquired on exercise up to this date were converted immediately into ordinary and convertible shares of ITV plc in line with the merger ratio.

CENTRAL INDEPENDENT TELEVISION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004

All outstanding Carlton options unexercised at 5 March 2004 were exchanged into options over ITV plc ordinary shares only, as options could not be granted over ITV convertible shares. The number of ITV ordinary shares under option was calculated by multiplying the number of options over Carlton ordinary shares by 2.0036. This ratio was reached by including the value of the convertible shares and was agreed by the Inland Revenue as reflecting the terms of the merger. To ensure that the aggregate amount payable on the exercise of options remained the same the exercise price per share was also adjusted by dividing the original exercise price by 0.499.

The performance conditions for options granted prior to 1 January 2003 fell away on merger. There were no performance conditions applicable to options granted under the Carlton Communications SAYE scheme.

All options shown in this Directors' Report are shown in ITV plc share equivalents.

Carlton Communications Schemes

	As at 1 Jan 2004	No. granted in the year	No. exercised/ vested in the year	No. lapsed in the year	As at 31 Dec 2004	Exercise Price (p)	Market price at date of exercise (p)	Exercise Period
<i>Approved and Unapproved Executive Share Option Schemes</i>								
Ian Squires	36,665	-	-	-	36,665	254.04	-	Jun 2001 to Jun 2008
Ian Squires	43,839	-	-	-	43,839	278.00	-	Jan 2003 to Jan 2010
Ian Squires	48,540	-	-	-	48,540	280.00	-	Jan 2004 to Jan 2011
Ian Squires	90,160	-	-	-	90,160	112.30	-	Dec 2004 to Dec 2011
Ian Squires	192,495	-	-	-	192,495	66.38	-	Dec 2005 to Dec 2012
Ian Squires	124,390	-	-	-	124,390	114.79	-	Dec 2006 to Dec 2013
Laurence Upshon	16,429	-	-	-	16,429	254.04	-	Jun 2001 to Jun 2008
Laurence Upshon	20,035	-	-	-	20,035	112.30	-	Dec 2004 to Dec 2011
Laurence Upshon	64,534	-	-	-	64,534	66.38	-	Dec 2005 to Dec 2012
Laurence Upshon	41,702	-	-	-	41,702	114.79	-	Dec 2006 to Dec 2013
<i>Saving Related Share Option Schemes</i>								
Ian Squires	17,210	-	-	-	17,210	54.9	-	Mar 2006 to Aug 2006

ITV Schemes

	As at 1 Jan 2004	No. granted in the year	No. exercised/ vested in the year	No. lapsed in the year	As at 31 Dec 2004	Exercise Price (p)	Date of Grant	Exercise Period
<i>Performance Share Plan</i>								
Ian Squires	-	26,081	-	-	-	26,081	Sept 2004	Sept 2007 to Sept 2008
Laurence Upshon	-	8,744	-	-	-	8,744	Sept 2004	Sept 2007 to Sept 2008

CENTRAL INDEPENDENT TELEVISION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004

Share Price Information

The market price of ITV plc ordinary 10 pence shares at 31 December 2004 was 105.25 pence and the range from 2 February 2004 to 31 December 2004 was 94.5 pence to 148 pence. The market price of convertible shares at 31 December 2004 was 39.5 pence and the range from 2 February 2004 to 31 December 2004 was 31 pence to 83 pence.

Donations

Grants and charitable donations made during the year amounted to £86,524 (15 months to 31 December 2003: £228,900). There were no political contributions (15 months to 31 December 2003: £nil).

Employment policies

The Company's employment policies are consistent with those of ITV plc the policies of which are outlined below.

ITV's programme making, sales, management and technical and administrative talent are key to the Company's success. The Company's Equal Opportunities Policy which aims to ensure equality of opportunity irrespective of sex, marital status, race, origin, nationality, religion, religious belief, disability, age, sexual orientation, or gender reassignment in recruitment, learning and development and promotion, also covers arrangements for the continued employment of and appropriate training for employees who become disabled whilst working for the Company. The policy includes a range of measures such as training in recruitment and selection, bursaries and training opportunities and extensive monitoring which includes an equal pay audit. Equal Opportunity and Diversity Action Groups are represented both divisionally and regionally to drive diversity initiatives and awareness. ITV is a leading and active participant in the major bodies whose focus is the employment and development of minority groups – Opportunity Now, the Employers' Forum on Disability, the Broadcasters' Disability Network and the Cultural Diversity Network.

Communication and consultation with employees is a high priority and the Company has a framework for consultation and information under which Communication Groups on each site have joint responsibility for maintaining a regular dialogue on all issues concerning the employees and the business. The company carries out an employee opinion survey on an annual basis. During the period the Company relaunched the Intranet, which carries daily updated news headlines covering all aspects of Company performance and issues of concern to staff.

Learning and development opportunities are vital to attract and retain the best talent. ITV chairs and is represented at board level on Skillset, which is the industry Sector Skills Council. Training is offered across a wide range of activities from technical and managerial to programme making. Internal development is encouraged and monitored.

It is vital for the Company to offer the right reward and incentivisation in order to attract and retain the best talent. Since 2 February 2004, the Company has been offering new employees a consistent, competitive and attractive range of benefits. As well as a SAYE scheme which is open to all staff and enables staff to have a stake in the future of the Company, the Company has introduced new incentivisation arrangements to ensure that those with the brightest and best ideas are encouraged. The Prime Mover Scheme allows the originators of programme formats that have the potential for international and UK exploitation to have a substantial stake in the success of those formats.

The health and safety of employees, contractors and visitors is considered as a priority. There are well established company health and safety policies and procedures in place throughout the business and these are supported by an effective training programme.

CENTRAL INDEPENDENT TELEVISION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004

Creditor payment policy

The Company's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not follow any code or standard on payment practice. The number of days' purchases outstanding for payment by the Company as at 31 December 2004 was 15 days.

Auditor

Following the merger of Carlton Communications Plc with Granada plc, KPMG Audit Plc were appointed as auditors to the Company with effect from 14 May 2004 on the resignation of PricewaterhouseCoopers LLP.

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

The London Television Centre
Upper Ground
London SE1 9LT
31 October 2005

CENTRAL INDEPENDENT TELEVISION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the company and of the profit or loss of the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRAL
INDEPENDENT TELEVISION LIMITED**

FOR THE YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements on pages 8 to 20.

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 are responsible for preparing the directors' report and, as described on page 6, 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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions 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 31 December 2004 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

8 Salisbury Square
London
EC4Y 8BB

31 October 2005

CENTRAL INDEPENDENT TELEVISION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
Turnover	1, 2	318,029	452,380
Staff costs	4	(22,739)	(37,822)
Depreciation	8	(3,928)	(7,189)
Net operating expenses	3	(289,682)	(370,985)
Operating profit		1,680	36,384
Income from fixed asset investments		16,484	-
Provision for diminution of fixed asset investments	9	(9,484)	-
Loss on disposal of tangible assets		(539)	-
Net interest	5	(12,240)	(12,382)
(Loss)/ profit on ordinary activities before taxation		(4,099)	24,002
Taxation on (loss)/profit on ordinary activities	6	(3,009)	4,105
(Loss)/ profit on ordinary activities after taxation		(7,108)	28,107
Dividends	7	(37,346)	(80,000)
Retained loss for the financial period	17	(44,454)	(51,893)

The notes referred to above form part of these accounts.

All operations in the year and in the prior period were continuing. The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented

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

CENTRAL INDEPENDENT TELEVISION LIMITED

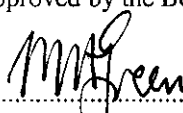
BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2004

		As at 31 December 2004 £'000	As at 31 December 2003 £'000
FIXED ASSETS	Notes		
Tangible fixed assets	8	21,100	20,979
Investments	9	2,276	148,582
		<u>23,376</u>	<u>169,561</u>
CURRENT ASSETS			
Stocks	10	70,633	63,416
Debtors	11	390,242	213,292
Investments		947	947
Cash at bank		8,962	9,349
		<u>470,784</u>	<u>287,004</u>
CREDITORS			
Amounts falling due within one year	12	(415,502)	(276,544)
NET CURRENT ASSETS		<u>55,282</u>	<u>10,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>78,658</u>	<u>180,021</u>
CREDITORS			
Amounts falling due after more than one year	13	(49,224)	(44,224)
Provision for liabilities and charges	14	(104)	-
NET ASSETS		<u>29,330</u>	<u>135,797</u>
CAPITAL AND RESERVES			
Called up share capital	16	13,671	13,671
Share premium account	17	23,150	23,150
Other reserves	17	-	62,013
Profit and loss account	17	(7,491)	36,963
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	<u>29,330</u>	<u>135,797</u>

The notes referred to above form part of these accounts.

Approved by the Board of Directors on 31 October 2005 and signed on behalf of the board:


 Director
 M.A. Green

Date 31/10/05

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

Basis of preparation of accounts

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards applied on a consistent basis.

In accordance with Section 228 of the Companies Act 1985, consolidated financial statements are not presented since the company is a wholly owned subsidiary undertaking of ITV plc.

The company has taken advantage of the exemption under FRS 8 'Related Party Disclosures', not to disclose transactions with entities that are part of the ITV Plc Group, or with investees of the group which qualify as related parties, as consolidated financial statements are publicly available.

Under FRS1 'Cash flow statements', the company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary undertaking. The consolidated financial statements of ITV plc include a consolidated cash flow statement dealing with the cash flows of the group.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of airtime and sponsorship revenue ('qualifying revenue') and programme sales. Qualifying revenue is recognised on transmission and programme sales are recognised on delivery.

Taxation

The charge for taxation is based on the profit or loss for the period 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.

Tangible fixed assets

All tangible assets are stated at historical cost less accumulated depreciation. Depreciation is calculated on cost on a straight line basis at the following annual rates so as to write down the value of the assets to an estimated residual value over their expected useful lives:

Freehold land and buildings	2%
Technical and other equipment	14% - 33%
Short leasehold improvements	period of the lease
Long leasehold properties	period of the lease

Fixed asset investments

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

Stocks

Programme costs and rights are written off in full on first transmission except certain film rights which are written off over a number of transmissions. Films and programme costs not yet written off at the balance sheet date are included in stocks at the lower of cost or net realisable value. Contractual commitments in relation to acquired programming rights which are not yet available for transmission are included in the cost of programming rights in stocks.

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

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Foreign currencies

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

Deferred taxation

Full provision is made for deferred tax liabilities arising from timing differences, in respect of transactions or events that result in an obligation to pay tax in the future, that have originated but not reversed by the balance sheet date. A deferred tax asset is not recognised to the extent that recoverability is uncertain. Deferred tax liabilities and assets which are recognised are not discounted.

Pension costs

The company is a member of the ITV plc Group which operates a number of defined benefit and defined contribution pension schemes which are funded by company and employee contributions. The scheme's assets are held in separate trustee administered funds. Contributions are based on pension costs across the group as a whole.

The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Therefore, as permitted by FRS 17 'Retirement benefits', when the accounting standard is fully adopted by the company, the scheme will be accounted for as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 1 July 2001 and was updated for FRS 17 purposes to 31 December 2004 by a qualified independent actuary.

The company contributions for the year were £2.6 million (15 months to 31 December 2003: £3.7 million). It has been agreed that an employer contribution rate of 10% of pensionable pay will apply in future years.

Particulars of the actuarial valuations of the group schemes are contained in the financial statements of ITV plc which can be obtained from the address given in note 21.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

2. TURNOVER

	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
Qualifying revenue	273,274	355,176
Programme sales	36,554	85,138
Other	8,201	12,066
	<u>318,029</u>	<u>452,380</u>

All of the company's turnover and results arise within the United Kingdom.

3. NET OPERATING EXPENSES

Operating profit is stated after charging the following items:

	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
Other operating costs comprise as follows :		
Operating lease costs (including hire)		
Plant and machinery	63	491
Other rentals	988	2,603
Percentage of Qualifying Revenue	23,976	35,446
Television franchise exchequer bid payment	7,994	9,695
Production non staff costs	44,740	-
Broadcasting schedule costs	146,460	-
Loss on disposal of assets	539	-
Charge for property provision	104	-
Exceptional costs	13,675	4,094
Other expenses	51,143	318,656
	<u>289,682</u>	<u>370,985</u>

The auditor's remuneration for 2004 and 2003 has been borne by other group companies.

Exceptional costs arising in the year relate primarily to restructuring and in the prior year to bad debts written off.

It is not feasible to present comparatives for Programme non staff costs and Broadcasting schedule costs as in the 15 months to 31 December 2003 these were presented in a different format. In 2003 these costs are included within the category "Other expenses".

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

4. DIRECTOR/EMPLOYEE INFORMATION

The average number of employees during the year, including directors was 573 (2003: 799).

	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
Remuneration of employees including directors was:		
Gross wages and salaries	18,335	33,296
Social security costs	1,840	783
Employers' pension contributions	2,564	3,743
	<u>22,739</u>	<u>37,822</u>
Highest paid director:	2004 £'000	2003 £'000
Aggregate emoluments	143	213
Defined benefit pension scheme contributions	27	21
	<u>170</u>	<u>234</u>

Aggregate emoluments for all directors included in staff costs above amount to £454,800.

Of the 7 directors whose emoluments are disclosed above, none are included in a money-purchase scheme and 2 are accruing benefits under a defined benefit pension scheme.

In the year to 31 December 2004, 7 directors were remunerated by other ITV plc group companies. No specific allocation of their remuneration has been made in respect of their services to this company.

Details of the directors' interests and participation in option schemes are shown in the report of the directors.

5. NET INTEREST

	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
Interest receivable:		
Other interest	882	1,230
Corporation tax repayment supplement	-	1,120
Interest from group undertakings	186	1,403
Interest payable and similar charges:		
Finance lease interest	(1,306)	(1,089)
Bank	(285)	-
Interest to group undertakings	(11,717)	(15,046)
	<u>(12,240)</u>	<u>(12,382)</u>

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

6. TAXATION

Analysis of charge/ (credit) in period

	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
<i>Current tax:</i>		
UK corporation tax based on profits for the period	-	3,481
Adjustment in respect of previous periods	<u>1,303</u>	<u>(6,557)</u>
Total current tax (see below)	<u>1,303</u>	<u>(3,076)</u>
<i>Deferred tax:</i>		
Charge for the period	1,706	(201)
Adjustment in respect of previous periods	<u>-</u>	<u>(828)</u>
Tax on (loss)/ profit on ordinary activities	<u>3,009</u>	<u>(4,105)</u>

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

The current tax charge for the year is higher (15 month period ended 31 December 2003: lower) than the standard rate of corporation tax in the UK of 30% (15 month period ended 31 December 2003: 30%).

The difference is explained below:

	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
<i>Current tax reconciliation</i>		
(Loss)/ profit on ordinary activities before taxation	<u>(4,099)</u>	<u>24,002</u>
Current tax at 30% (2003: 30%)	(1,230)	7,201
Effects of:		
Permanent differences and group relief	2,936	(3,491)
Timing differences	(1,706)	(229)
Adjustments in respect of prior years	1,303	(6,557)
Total current tax charge/ (credit) (see above)	<u>1,303</u>	<u>(3,076)</u>

7. DIVIDENDS

	Year ended 31 December 2004 £'000	15 months to 31 December 2003 £'000
Interim dividend declared: £nil (2003: £2.93) per share	-	80,000
Final dividend distributed from P&L: £1.37 (2003: £nil) per share	<u>37,346</u>	<u>-</u>
	37,346	80,000
Final dividend distributed from reserves: £2.27 (2003: £nil) per share	62,013	-
	<u>99,359</u>	<u>80,000</u>

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

8. TANGIBLE FIXED ASSETS

	Long Leasehold Properties	Long Leasehold Improvements	Short Leasehold Improvements	Technical & Other Equipment	Leased Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 31 December 2003	20,749	5,582	3,195	50,057	4,586	84,169
Additions	-	1,354	66	6,630	-	8,050
Transfers	-	(10)	(93)	(352)	52	(403)
Disposals	-	(1,058)	(2,046)	(20,335)	(4,638)	(28,077)
At 31 December 2004	20,749	5,868	1,122	36,000	-	63,739
Depreciation:						
At 31 December 2003	10,918	3,735	2,739	41,212	4,586	63,190
Disposals	-	(1,056)	(2,046)	(16,334)	(4,638)	(24,074)
Transfers	(20)	87	(14)	(510)	52	(405)
Charge for the period	238	445	44	3,201	-	3,928
At 31 December 2004	11,136	3,211	723	27,569	-	42,639
Net Book Value						
At 31 December 2004	9,613	2,657	399	8,431	-	21,100
At 31 December 2003	9,831	1,847	456	8,845	-	20,979

Transfers represent re-allocations of assets between the Company, Carlton Broadcasting Limited and Carlton Television Limited after the merger.

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

9. FIXED ASSET INVESTMENTS

	Group Undertakings £'000	Other Investments £'000	Total £'000
At Cost:			
At 31 December 2003	149,716	18,694	168,410
Additions	9,484	9	9,493
Return of capital	(130,956)	-	(130,956)
Disposals	(15,359)	-	(15,359)
At 31 December 2004	<u><u>12,885</u></u>	<u><u>18,703</u></u>	<u><u>31,588</u></u>
Provisions:			
At 31 December 2003	(3,400)	(16,428)	(19,828)
Write downs and adjustments	(9,484)	-	(9,484)
At 31 December 2004	<u><u>(12,884)</u></u>	<u><u>(16,428)</u></u>	<u><u>(29,312)</u></u>
Net book value:			
At 31 December 2004	<u><u>1</u></u>	<u><u>2,275</u></u>	<u><u>2,276</u></u>
At 31 December 2003	<u><u>146,316</u></u>	<u><u>2,266</u></u>	<u><u>148,582</u></u>

As a result of the treasury restructuring undertaken by the group, during the year the Company made capital contributions to its subsidiaries, Ultimate Films Limited and Broad Street Films Limited, totalling £9,484,000. Subsequent to these contributions, the directors reviewed the carrying value of these investments and wrote them down to nil.

The Company disposed of its investments in Carlton International Media Limited and Broad Street Films Limited.

During the year the Company received a return of capital from a subsidiary, HTV December Two Limited, also as part of the treasury restructuring undertaken by the group.

Shares in group undertakings:

The subsidiary undertakings are all wholly owned companies. A full list of subsidiaries is not provided as in the opinion of the directors this would give rise to a statement of excessive length. The following material undertakings are incorporated in the United Kingdom and are registered in England and Wales.

Carlton International Media Limited (now Granada International Media Limited) was transferred to Carlton Content Holdings Limited on 17 December 2004.

Other investments:

The principal undertakings in which the company has invested are all incorporated in the United Kingdom and registered in England and Wales unless otherwise stated and operate, principally, in the country of registration.

	Proportion of ordinary issued shares held
Independent Television News Limited	18.0%
Columbia Tristar Carlton Productions Limited	50.0%
ITV2 Limited	16.1%

The values of the fixed asset investments have been assessed according to the higher of net realisable value and value in use. In the opinion of the directors the value of investments in subsidiary and other undertakings is not less than the aggregate amount at which they are shown in the company's balance sheet.

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

10. STOCKS

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
Film stocks	36,129	19,782
Programme stocks	34,504	43,634
	<u>70,633</u>	<u>63,416</u>

11. DEBTORS

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
Trade debtors	-	28,355
Amounts owed by group undertakings	381,723	170,336
Other debtors	2,474	3,263
Corporation tax recoverable	2,623	3,926
Deferred taxation (see note 16)	1,408	3,114
Prepayments and accrued income	2,014	4,298
	<u>390,242</u>	<u>213,292</u>

12. CREDITORS: Amounts falling due within one year

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
Obligations under finance leases	458	695
Trade creditors	11,777	13,643
Interest bearing group loan	185,000	185,000
Amounts due to group undertakings	193,421	55,851
Accruals and deferred income	24,846	21,355
	<u>415,502</u>	<u>276,544</u>

13. CREDITORS: Amounts falling due after more than one year

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
Obligations under finance leases	8,504	14,022
Trade creditors	13,020	2,502
Amount owed to group undertaking	27,700	27,700
	<u>49,224</u>	<u>44,224</u>

The Company entered into sale and leaseback transactions in relation to the rights associated with programmes produced by the company. The rights were sold to third parties and leased back for a period of fifteen years.

Following the transactions, the programmes remained classified as stock on the balance sheet of the company and were treated in line with the company's policy for accounting for programme production stock as disclosed in note 1 to these accounts.

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

13. CREDITORS: Amounts falling due after more than one year (Continued)

The company's cash at bank includes £8,962,000 (2003: £9,349,000) of restricted balances relating to these transactions.

14. PROVISION FOR LIABILITIES AND CHARGES

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
<i>Property provisions:</i>		
At 1 January 2004	-	-
Profit and loss account - current	104	-
At 31 December 2004	<u>104</u>	<u>-</u>

Property provisions are in respect of various vacant properties. Utilisation will be over the life of these property leases.

15. DEFERRED TAXATION

Deferred tax asset comprises:

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
Accelerated capital allowances	(1,508)	(2,015)
Short-term timing differences	100	(589)
Other	-	(510)
	<u>(1,408)</u>	<u>(3,114)</u>

The directors believe it is more likely than not that the deferred tax asset will be recognised.

16. CALLED UP SHARE CAPITAL

	As at 31 December 2004 £'000	As at 31 December 2003 £'000
Authorised 40,000,000 Ordinary shares of £0.50 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid 27,342,409 Ordinary shares of £0.50 each	<u>13,671</u>	<u>13,671</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Share Premium £'000	Profit and Loss account £'000	Other reserves £'000	Total 31 December 2004 £'000
At 31 December 2003	13,671	23,150	36,963	62,013	135,797
Loss for the year	-	-	(7,108)	-	(7,108)
Dividend paid	-	-	(37,346)	(62,013)	(99,359)
At 31 December 2004	<u>13,671</u>	<u>23,150</u>	<u>(7,491)</u>	<u>-</u>	<u>29,330</u>

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

18. FINANCIAL COMMITMENTS

At 31 December 2004 the Company is not contractually bound to any capital commitments (2003: £807,000).

Finance lease commitments	As at 31 December 2004 £'000	As at 31 December 2003 £'000
Within one year	458	695
Between two and five years	2,665	2,358
After five years	5,839	11,664
	<u>8,962</u>	<u>14,717</u>

Operating lease commitments

	31 December 2004		31 December 2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<i>Annual commitments on leases expiring:</i>				
Within one year	10	-	-	39
Between two and five years	135	-	854	20
After five years	178	-	179	-
	<u>323</u>	<u>-</u>	<u>1,033</u>	<u>59</u>

19. CONTINGENT LIABILITIES

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2004 of £49 million.

The Company and certain other group companies have entered into cross guarantees for the group's UK banking arrangements and are jointly and severally liable in respect of any overdraft arising.

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

20. POST BALANCE SHEET EVENT

As a consequence of the introduction of digital replacement licences by Ofcom in December 2004, all regional Channel 3 licensees were eligible to apply for a review of the financial terms applying to the licence from 31 December 2004. Such an application was made for each of the 11 regional Channel 3 licences held by ITV plc, including Central Independent Television Limited. Ofcom confirmed the determination of new financial terms in June 2005 and those terms were accepted by the Company in July 2005.

These new financial terms comprise a cash sum of £900,000 payable every year to the end of the licence period and rising in line with inflation, as well as Percentage of Qualifying Revenue (PQR) payments, payable at 11%, with respect to qualifying revenues (advertising and sponsorship) attributable to analogue terrestrial only homes in the relevant region. As no PQR payments are payable with respect to homes with digital receiving equipment, PQR payments fall as digital penetration increases. As digital switchover occurs, PQR payments in the relevant region will be zero.

CENTRAL INDEPENDENT TELEVISION LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

21. ULTIMATE PARENT COMPANY

At 31 December 2004, the Company's immediate parent company was Carltonco 120 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.