MILLBANK STUDIOS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

31 December 2005

Registered number 2311588

Contents

Director's Report

The director presents his annual report and the audited financial statements for the year ended 31 December 2005. The comparatives are for the 12 month period ended 31 December 2004.

Principal activities

The Company's principal activity is the provision of television and video facilities.

Business Review

The results for the year are shown in the Profit and Loss Account on page 6 of these financial statements.

Principal transactions and post balance sheet events

The ITV plc group continued the operational and legal restructuring programme that commenced in 2004 with the objective 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.

Dividend

The director does not recommend the payment of a dividend (12 months to 31 December 2004: £nil).

Director

Richard Rose was the sole director of the Company during the 12 month period ended 31 December 2005. During this time Mr Rose did not have an interest in any contract with the Company or its subsidiary undertakings except as disclosed in these financial statements.

Director's interests and share options

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

	31 December 2005		31 December 2004	
	ITV plc Ordinary 10p shares	ITV plc Convertible 10 p shares	ITV plc Ordinary 10p shares	ITV plc Convertible 10 p shares
Richard Rose	1,006	Nil	752	Nil

In addition to the above, Mr Rose held options and awards under the Granada, Granada Media and ITV share schemes, details of which are set out below. Performance conditions attached to the various Granada, Granada Media and 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 2005.

Granada Schemes

	As at 1 Jan 2005	No. granted in the year	No. exercised/ vested in the year	No. lapsed in the year	As at 31 Dec 2005	Exercise Price (p)	Date of Exercise/ Vesting	Market price at date of exercise (p)	Exercise Period
Approved and Unapproved Executive Share Option Schemes									
R Rose	15,600	-	-	-	15,600	137.02	-	-	Jul 2004 to Jul 2011
R Rose	1,040	-	-	-	1,040	143.27	-	-	Jan 2005 to Jan 2012
R Rose	6,240	-	-	-	6,240	106.25	-	-	Jul 2005 to Jul 2012
R Rose	5,200	-	-	-	5,200	76.92	-	-	Jan 2006 to Jan 2013
R Rose	10,400	-	-	-	10,400	117.07	-	-	Dec 2006 to Dec 2013

Granada Media Schemes

	As at 1 Jan 2005	No. granted in the year	No. exercise/ vested the year	No. lapsed in the year	As at 31 Dec 2005	Exercise Price (p)	Date of Exercise/ Vesting	Market price at date of exercise (p)	Exercise period
Approved and Unapproved Executive Share Option Schemes									
R Rose	1,151	-	-	-	1,151	268.32	-	-	Jul 2003 to Jul 2010

ITV Schemes

	As at 1 Jan 2005	No. granted in the year	Date of Grant	No. exercise / vested in the year	No. lapsed in the year	As at 31 Dec 2005	Exercise Price (p)	Exercise Period
Performance Share Plan								
R Rose	6,213	-	-	-	-	6,213	-	Sept 2007 to Sept 2008
R Rose	-	6,189	27 Sept 2005	-	-	6,189	-	Sept 2008 to Sept 2009

Share Price Information

The market price of ITV plc ordinary 10 pence shares at 31 December 2005 was 112.5 pence and the range from 1 January 2005 to 31 December 2005 was 101 pence to 130 pence. The market price of ITV plc convertible shares at 31 December 2005 was 0.75 pence and the range from 1 January 2005 to 31 December 2005 was 0.75 pence to 63 pence.

The ITV plc convertible shares did not attain their conversion terms and in January 2006 were cancelled from the official list of the UK Listing Authority and converted into deferred shares of no economic value.

Donations

Grants and charitable donations made during the period amounted to £nil (12 months to 31 December 2004: £nil). There were £nil political contributions made during the year (12 months to 31 December 2004:£nil).

Auditors

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

RD Rose
Director

No. 4 Millbank
Westminster SW1P 3JA

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.

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 judgments 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 auditors' report to the members of Millbank Studios Limited

We have audited the financial statements of Millbank Studios Limited for the year ended 31 December 2005 which comprise of the Profit and Loss Account and 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

As described in the Statement of Director's Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Director's 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 the director's remuneration and other transactions is not disclosed.

We read the Director's 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 2005 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

[Date]
16 November 2006

Profit and loss account

	Note	**Year ended 31 December 2005**	Year ended 31 December 2004
		£	£
Turnover	1	2,016,290	2,191,457
Cost of Sales		(1,635,184)	(1,286,157)
Gross Profit		381,106	905,300
Administrative expenses		(1,009,204)	(867,748)
Operating (loss)/profit		(628,098)	37,552
Interest receivable and similar income	3	82,488	42,976
(Loss)/Profit on ordinary activities before taxation	2	(545,610)	80,528
Tax on (loss)/profit on ordinary activities	6	159,504	(26,195)
(Loss)/Profit for the financial period	14	(386,106)	54,333

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 period other than those disclosed above in the profit and loss account.

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.

The notes on pages 8 to 14 form part of these financial statements.

Balance sheet

	Note		**31 December 2005**		31 December 2004
		£	£	£	£
Fixed assets					
Tangible assets	7		585,415		317,254
Investments	8		100		100
			585,515		317,354
Current assets					
Stock	9	3,981		3,981	
Debtors: amounts falling due within one year	10	459,477		402,534	
Cash at bank and in hand		600,923		1,632,302	
		1,064,381		2,038,817	
Current Liabilities					
Creditors: amounts falling due within one year	11	(1,520,401)		(1,840,572)	
Net current (liabilities)/assets			(456,020)		198,245
Net assets			129,495		515,599
Capital and reserves					
Called up share capital	13		200		200
Share premium account	14		199,940		199,940
Profit and loss account	14		(70,645)		315,459
Total equity shareholders' funds	14		129,495		515,599

These financial statements were approved by the director on 3/11/ 2006.

RD Rose
Director

The notes on pages 8 to 14 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

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 is a wholly owned subsidiary of ITV plc, whose consolidated accounts are publicly available. Consequently it has taken advantage of the exemption granted by FRS 8 'Related Party Disclosures' and has not disclosed transactions with entities that are part of the group.

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 of ITV plc. The consolidated financial statements include a consolidated cash flow statement dealing with the cash flows of the group.

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Yorkshire Television Ltd, the Company's immediate parent undertaking. ITV plc, the Company's ultimate parent undertaking, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Company has adopted FRS 21 (IAS 10) 'Events after the balance sheet date' for the first time in these accounts. The principal impact is dividend recognition. Previously dividends were recognised in the period for which they were declared as relating to, now dividends are recognised during the period in which they are declared. There is no impact on these financial statements.

The Company has adopted FRS 28 'Corresponding amounts' for the first time in these accounts. The adoption of this standard has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Turnover

Turnover is recognised when services are provided and is stated net of Value Added Tax. The turnover comprises charges for the hire of studios, crews and other technical equipment.

Notes *(continued)*

Pensions

The Company is a participating employer of the ITV Pension Scheme a defined benefit pension scheme. The scheme's assets are held in separate trustee administered finds. 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' the scheme is accounted for as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 December 2004 and was updated for FRS 17 purposes to 31 December 2005 by a qualified independent actuary.

The company's contributions for the period were £41,585 (year ended 31 December 2004: £51,047). It has been agreed that an employer contribution rate of 24.2% of pensionable pay will apply in future years. In addition to normal funding the group made a further contribution of £90 million in 2005.

At 31 December 2005 the scheme had an FRS17 deficit of £492 million.

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 16.

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

Subsequent to the balance sheet date the Group has completed a process to merge six of its pension schemes including the ITV Pension Scheme. This will save significantly on the costs of administration and professional advice, and also enable a clearer focus on the issues for a single scheme than was possible with separate schemes.

Investments

Investments are stated at cost less provision for any permanent diminution in value.

Depreciation

Depreciation is provided so as to write off the cost of tangible fixed assets on a straight line basis at the following rates:

Technical equipment	-	20% straight line
Fixtures and fittings	-	10% straight line
Plant and machinery	-	25% straight line

Stock

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

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.

Notes *(continued)*

Operating leases

The rental on the operating leases are charged to the profit and loss account on a straight line basis over the lease term. The leases are held by a group company and Millbank Studios pays an intra group property charge. Millbank Studios does not have any lease commitments under non-cancellable operating leases.

2 Profit on ordinary activities before taxation

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Profit on ordinary activities before taxation is stated after charging:		
Operating leases		
- Hire of plant and machinery	43,647	50,402
- Land and buildings	593,518	502,988
- Hire of motor vehicles	11,731	9,932
Depreciation		
- Owned assets	152,745	186,578
Pension Deficit Funding	(324,000)	-

Auditor's remuneration in the current year and prior year has been borne by a fellow subsidiary undertaking.

3 Interest receivable and similar income

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Bank Interest	82,488	42,976

4 Remuneration of the director

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Director's emoluments:		
Salary	69,630	67,392

Details of the Director's Interests in share and share options are disclosed in the Director's Report.

5 Staff numbers and costs

The average number of persons employed by the company (including the executive director) during the year, analysed by category, was as follows:

	Year ended 31 December 2005	Year ended 31 December 2004
Management and administrative	3	3
Production and sales	8	14
	11	17

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Wages and salaries	374,763	449,912
Social security costs	32,185	42,519
Pension costs	365,660	51,047
	772,608	543,478

6 Taxation

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
UK Corporation Tax at 30% (2004:30%)	(175,522)	41,805
Adjustment in respect of prior periods	-	(77)
Current tax (credit)/ charge	(175,522)	41,728
Deferred tax:		
(Credit)/charge in year charge/ (credit)	16,018	(15,533)
Tax on profit on ordinary activities	(159,504)	26,195

Factors affecting the tax for the current year.

The current tax credit for the period is higher (year ended 31 December 2004 : charge; higher) than the standard rate of corporation tax in the UK (12 months ended 31 December 2005 : 30%, 12 months ended 31 December 2004 : 30%). The differences are explained below:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Current tax reconciliation		
Profit on ordinary activities before tax	(545,610)	80,528
Current tax at 30% (2004:30%)	(163,683)	24,158
Effects of:		
Expenses not deductible for tax purposes	4,178	2,038
Capital allowances for period (more)/ less than depreciation	(16,017)	15,609
Adjustments to tax charge in respect of prior periods	-	(77)
Total current tax charge (see above)	(175,522)	41,728

Notes *(continued)*

7 Tangible fixed assets

	Technical Equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2005	2,757,799	345,508	3,103,307
Additions	433,343	(12,437)	420,906
Transfer	(198,369)	198,369	-
At 31 December 2005	2,992,772	531,440	3,524,213
Depreciation			
At 31 December 2004	2,568,928	217,125	2,786,053
Charge for year	67,923	84,822	152,745
Transfer	139,474	(139,474)	-
At 31 December 2005	2,776,325	162,473	2,938,798
Net book value			
At 31 December 2005	**216,447**	**368,968**	**585,415**
At 31 December 2004	188,871	128,383	317,254

8 Fixed asset investments

	£
Cost	
At 1 December 2005 and 31 December 2005	100

The following company was a subsidiary undertaking throughout the year.

Name	Country of Incorporation	Proportion of voting rights and ordinary share capital owned	Nature of business
Walshys Production Facilities Limited	England	100%	Dormant

9 Stock

	31 December 2005 £	31 December 2004 £
Consumables	3,981	3,981

Notes *(continued)*

10 Debtors: amounts falling due within one year

	31 December 2005	31 December 2004
	£	£
Trade debtors	440,617	183,039
Amounts owned by group undertakings	-	172,296
Other debtors	2,046	2,046
Prepayments and accrued income	6,915	19,236
Deferred taxation (note 12)	9,899	25,917
	459,477	402,534

All debtors are due within one year except for deferred taxation.

11 Creditors: amounts falling due within one year

	31 December 2005	31 December 2004
	£	£
Trade creditors	-	106,051
Amounts owed to group undertakings	1,223,694	1,373,846
Other taxation and social security	64,174	69,054
Corporation Tax	19,826	195,348
Accruals and deferred income	212,707	96,273
	1,520,401	1,840,572

For the year ended 31 December 2005, all operational trade creditors are settled on the Company's behalf by another group company and consequently are reflected in amounts owed by/due to group undertakings.

12 Deferred taxation

	31 December 2005	31 December 2004
	£	£
At 1 January 2005	25,917	10,384
(Credit)/ Charge for the year	(16,018)	15,533
At 31 December 2005	9,899	25,917

The elements of deferred tax are as follows:

	31 December 2005	31 December 2004
	£	£
Accelerated capital allowance	9,899	25,917
	9,899	25,917

A deferred tax asset is recognised because the director believes that the future taxable profits are more likely than not to be in excess of those arising from the reversal of the deferred tax asset.

Notes *(continued)*

13 Called up share capital

	31 December 2005	31 December 2004
	£	£
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	140	140
Ordinary 'A' shares of £1 each	60	60
	200	200

The ordinary shares and the ordinary 'A' shares rank pari passu in respect of rights to dividends, rights in the event of a winding up, and rights to vote in General Meeting. Neither class of share is redeemable.

14 Reconciliation of movements in Shareholders' funds

	Share Premium Account	Profit and Loss account	Share Capital	Total
	£	£	£	£
At 1 January 2005	199,940	315,459	200	515,599
Retained loss for the year	-	(386,106)	-	(386,106)
At 31 December 2005	199,940	(70,647)	200	129,493

15 Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2005 of £37 million (year ended to 31 December 2004: £49 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 2005 this contingent liability amounted to £nil million (year ended 31 December 2004: £5 million). The Directors feel that adequate allowance has been made in respect of these matters.

16 Ultimate parent company

At 31 December 2005, the Company's immediate parent company was Yorkshire Television 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 accounts of ITV plc are available to the public and may be obtained from The London Television Centre, Upper Ground, London, SE1 9LT.