

CARLTON BROADCASTING HOLDINGS LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2003**

Registered no: 2583084



CARLTON BROADCASTING HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
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CARLTON BROADCASTING HOLDINGS LIMITED

DIRECTOR'S REPORT

FOR THE 15 MONTHS ENDED 31 DECEMBER 2003

The directors present their report and the audited financial statements for the 15 months ended 31 December 2003. The Company's reporting date has changed to 31 December. Comparatives are for the 12 months ended 30 September 2002.

Principal activities, review of the business and future developments

The Company is engaged in investment activities.

The directors expect that the current level of business activity will remain the same in the foreseeable future.

Results and dividends

Retained profit for the period was £654,000 (2002: £176,000 loss). The profit and loss account for the year is set out on page 6.

An interim dividend of £5,000,000 was proposed in respect of the 15 months ended 31 December 2003 and is payable on 30 September 2005 (2002: £nil). No final dividend is proposed (2002: £20,000,000).

Directors

The directors of the Company who served during the period were as follows:

M A Green
C W Jones

On 30 January 2004 D Abdoo resigned as Company secretary and H Tautz was appointed in his place.

Post balance sheet event

On 16 October 2002 the boards of Carlton Communications Plc and Granada plc announced that they had agreed the terms of a proposed merger, paving the way for a fully consolidated ITV. The Secretary of State referred the proposed merger to the Competition Commission on 11 March 2003 and on 7 October 2003 announced that she had decided to clear the merger, subject to appropriate undertakings being given by Carlton and Granada. Carlton and Granada announced on 14 November 2003 that the terms of those undertakings had been agreed and duly accepted by the Secretary of State. On 2 February 2004 Carlton and Granada merged under a court approved Scheme of Arrangement to form ITV plc.

As a result, the Company's ultimate parent company is now ITV plc.

CARLTON BROADCASTING HOLDINGS LIMITED

DIRECTOR'S REPORT

FOR THE 15 MONTHS ENDED 31 DECEMBER 2003

Directors' interests

None of the directors had any beneficial interest in the share capital of the Company at 31 December 2003.

The interests of the following directors in the shares of Carlton Communications Plc at 31 December 2003, together with their interests at 1 October 2002, are:

	1 October 2002	31 December 2003
Ordinary shares of 5p		
M A Green	79,970	104,292
C W Jones	29,921	149,074

The interests of the directors in share options over Carlton Communications Plc Ordinary 5p shares at prices ranging from a nominal amount to 561p exercisable between three and ten years after the date of grant together with movements during the period are set out below. These interests include share options whose exercise is subject to the satisfaction of certain conditions under the terms of Carlton Communications Plc's deferred annual bonus share plan.

	Options held at 1 October 2002	Options granted	Options exercised	Options lapsed	Options held at 31 December 2003
M A Green	284,797	275,289	-	14,918	545,168
C W Jones	429,046	409,892	-	45,545	793,393

Carlton Communications Plc has also granted options under its Equity Participation Plan ("EPP"). Participation in the EPP applied to executive directors and selected senior executives. Participants invited to take part in the EPP were required to commit Carlton ordinary shares (EPP shares) by a specified date to qualify for a matching award. Normally a participant was entitled to commit EPP shares to a value of up to 100% of basic salary (save for the first award where the maximum EPP share commitment was to a value of up to 200% of basic salary). A matching award comprises both an award of free shares (in the form of a nil-price option) and an option grant over shares at market value. The extent to which a matching award will vest depends on the participant retaining his/her EPP shares and the performance conditions relating to the matching award being satisfied. The maximum matching award comprises free shares equal in number to three times the EPP shares and options (at market value) over an equal number of shares. The principal performance conditions applicable to both awards made were/are measured on the basis of Carlton's TSR performance against that of a UK media comparator group and against the FTSE 100 constituents (at the first day of the performance period). The media comparator group consists of the media companies within the FTSE All Share Media and Entertainment sector, capitalised at more than £1bn, as defined at the first day of the performance period. The full matching award vests for upper quartile performance against the media comparator group. None of the matching award could vest for below median performance. None of the matching options could vest, regardless of TSR performance against the media comparator group, if Carlton ranks below median against the FTSE 100 over the period. The TSR performance condition is measured objectively with the use of third party data.

Up to 50% of the options can vest on 1 April three years after the start of the performance period and the balance can vest on 1 April the following year. The interests of directors of this company in the EPP at prices ranging from a nominal amount to 225p are as follows:-

CARLTON BROADCASTING HOLDINGS LIMITED

DIRECTOR'S REPORT

FOR THE 15 MONTHS ENDED 31 DECEMBER 2003

	Options held at 1 October 2002	Options granted	Options exercised	Options lapsed	Options held at 31 December 2003
M A Green	466,662	559,134	-	-	1,025,796
C W Jones	799,998	1,290,318	-	-	2,090,316

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 state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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.

Auditors

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

By order of the board


H Tautz
Company Secretary
30 April 2004

Registered office:
The London Television Centre
Upper Ground
London
SE1 9LT

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CARLTON BROADCASTING HOLDINGS LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

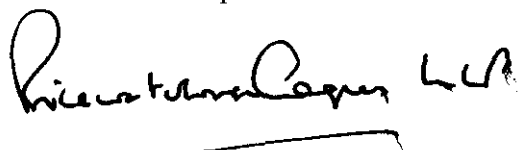
Basis of audit opinion

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 at 31 December 2003 and of its profit for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

30 April 2004

CARLTON BROADCASTING HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE 15 MONTHS ENDED 31 DECEMBER 2003

	Notes	15 months ended 31 December 2003 £'000	12 months ended 30 September 2002 £'000
Administrative expenses		-	(178)
Income from shares in group undertakings		5,000	20,000
OPERATING PROFIT	2	5,000	19,822
Interest receivable and similar income	4	7,223	5,252
Interest payable and similar charges	5	(6,569)	(5,250)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,654	19,824
Tax on profit on ordinary activities	6	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,654	19,824
Dividends	7	(5,000)	(20,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	13, 14	654	(176)

There is no material difference between the profit on ordinary activities before taxation and the retained loss for the financial period stated above, and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

All operations in the period and in the comparative year were continuing.

The notes on pages 8 to 13 form part of these financial statements.

CARLTON BROADCASTING HOLDINGS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2003

	Notes	31 December 2003 £'000	30 September 2002 £'000
FIXED ASSETS			
Investments	8	67,000	67,000
CURRENT ASSETS			
Debtors	9	8,750	27,096
Cash at bank and in hand		707	-
		9,457	27,096
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(8,935)	(27,228)
NET CURRENT ASSETS/(LIABILITIES)		522	(132)
TOTAL ASSETS LESS CURRENT LIABILITIES		67,522	66,868
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(42,000)	(42,000)
NET ASSETS		25,522	24,868
CAPITAL AND RESERVES			
Called up share capital	12	24,931	24,931
Share premium	13	71	71
Profit and loss account	13	520	(134)
EQUITY SHAREHOLDERS' FUNDS	14	25,522	24,868

The financial statements on pages 6 to 13 were approved by the Board of Directors on *24 April* 2004 and were signed on its behalf by:



M A Green
Director

CARLTON BROADCASTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2003

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention.

No consolidated accounts have been prepared as the Company is a wholly owned subsidiary of Carlton Communications Plc, which is registered in England and Wales.

Fixed asset investments

Investments are held at historic cost unless a permanent diminution in value has taken place, in which case their value is written down to an estimate of their market value and any loss incurred would be accounted for in the profit and loss account.

Cash flows

The Company is a wholly owned subsidiary of Carlton Communications Plc and the cash flows of the Company are included in the consolidated cash flow statement of Carlton Communications Plc. Consequently the Company is exempt under the terms of Financial Reporting Standard No.1 (Revised) from publishing a cash flow statement.

Interest

Interest receivable and interest payable is accounted for on an accruals basis.

2. OPERATING PROFIT

	15 months ended 31 December 2003 £	12 months ended 30 September 2002 £
Operating profit is stated after charging:		
Auditors' remuneration for audit services	100	100

3. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

The Company had no employees during the period (2002: nil) and no staff costs were incurred (2002: £nil).

No directors received any emoluments (2002: £nil).

CARLTON BROADCASTING HOLDINGS LIMITED
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4. INTEREST RECEIVABLE AND SIMILAR INCOME

	15 months ended 31 December 2003 £'000	12 months ended 30 September 2002 £'000
Interest receivable from subsidiary undertaking	6,563	5,250
Bank interest receivable	28	2
Corporation tax refunds	632	-
	<u>7,223</u>	<u>5,252</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	15 months ended 31 December 2003 £'000	12 months ended 30 September 2002 £'000
Interest payable to ultimate parent undertaking	6,563	5,250
Bank Interest payable	6	-
	<u>6,569</u>	<u>5,250</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the period

	15 months ended 31 December 2003 £'000	12 months ended 30 September 2002 £'000
United Kingdom corporation tax based on the profits for the period at 30% (2002: 30%)	-	-
	<u>-</u>	<u>-</u>

CARLTON BROADCASTING HOLDINGS LIMITED
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FOR THE 15 MONTHS ENDED 31 DECEMBER 2003

(b) Factors affecting current tax charge for the period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK (30%). The difference is explained below:

	15 months ended 31 December 2003 £'000	12 months ended 30 September 2002 £'000
Profit on ordinary activities before taxation	5,654	19,824
Tax charge at 30%	(1,696)	(5,947)
Decrease resulting from: Permanent differences and group relief	1,696	5,947
Current tax charge for the period	-	-

7. DIVIDENDS

	15 months ended 31 December 2003 £'000	12 months ended 30 September 2002 £'000
Interim Ordinary dividend payable	5,000	-
Final Ordinary dividend proposed	-	20,000
	5,000	20,000

8. FIXED ASSET INVESTMENTS

	Shares in trade investment £'000	Shares in subsidiary undertaking £'000	Loan to subsidiary undertaking £'000	Total £'000
Cost or valuation:				
At 1 October 2002	178	25,000	42,000	67,178
Additions	-	-	-	-
At 31 December 2003	178	25,000	42,000	67,178
Provisions:				
At 1 October 2002	(178)	-	-	(178)
Provided during the year	-	-	-	-
At 31 December 2003	(178)	-	-	(178)
Net book value:				
At 31 December 2003	-	25,000	42,000	67,000
At 1 October 2002	-	25,000	42,000	67,000

CARLTON BROADCASTING HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 15 MONTHS ENDED 31 DECEMBER 2003

The Company holds 100% of the Ordinary share capital of Carlton Broadcasting Limited, a television company incorporated and registered in England and Wales.

The Company holds a trade investment of 118,449 deferred shares in Tronji Limited, a media development company. This investment represents 100% of the issued deferred share capital of Tronji Limited. The carrying value of the investment in Tronji Limited has been written down to £nil, reflecting a permanent diminution in value.

9. DEBTORS

	31 December 2003 £'000	30 September 2002 £'000
Amounts owed by immediate parent undertaking	-	4,604
Amounts owed by subsidiary undertaking	3,750	20,000
Corporation tax recoverable	-	2,492
Dividend receivable	5,000	-
	<u>8,750</u>	<u>27,096</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2003 £'000	30 September 2002 £'000
Bank overdraft	-	1,946
Amounts owed to ultimate parent undertaking	3,935	30
Amounts owed to immediate parent undertaking	5,000	20,167
Amounts owed to subsidiary undertakings	-	5,085
	<u>8,935</u>	<u>27,228</u>

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

The Company has in issue £100 million 12.5% subordinated unsecured loan stock, of which £42 million was paid up at 31 December 2003 (2002: £42 million).

12. SHARE CAPITAL

	31 December 2003 £'000	30 September 2002 £'000
Authorised:		
150,000,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
Allotted, called up and fully paid:		
24,930,680 Ordinary shares of £1 each	<u>24,931</u>	<u>24,931</u>

CARLTON BROADCASTING HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE 15 MONTHS ENDED 31 DECEMBER 2003****13. RESERVES**

	Share premium	Profit and loss account	Total
	£'000	£'000	£'000
At 1 October 2002	71	(134)	(63)
Retained profit for the financial period	-	654	654
At 31 December 2003	71	520	591

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	15 months ended 31 December 2003 £'000	12 months ended 30 September 2002 £'000
Profit for the financial period	5,654	19,824
Dividends	(5,000)	(20,000)
Retained profit/(loss) for the financial period	654	(176)
Opening shareholders' funds	24,868	25,044
Closing shareholders' funds	25,522	24,868

15. PARENT UNDERTAKING

The ultimate controlling and parent company (as defined in FRS 8) during the period was Carlton Communications Plc, a company incorporated in England and Wales. On 2 February 2004 Carlton Communications Plc became a subsidiary of ITV plc. Copies of the reports and financial statements of Carlton Communications Plc may be obtained from ITV plc, The London Television Centre, Upper Ground, London SE1 9LT. The company has decided to adopt the exemption available to it under FRS 8 not to disclose transactions within the group of which Carlton Communications Plc is the ultimate controlling party.

16. POST BALANCE SHEET EVENT

On 16 October 2002 the boards of Carlton Communications Plc and Granada plc announced that they had agreed the terms of a proposed merger, paving the way for a fully consolidated ITV. The Secretary of State referred the proposed merger to the Competition Commission on 11 March 2003 and on 7 October 2003 announced that she had decided to clear the merger, subject to appropriate undertakings being given by Carlton and Granada. Carlton and Granada announced on 14 November 2003 that the terms of those undertakings had been agreed and duly accepted by the Secretary of State. On 2 February 2004 Carlton and Granada merged under a court approved Scheme of Arrangement to form ITV plc.

As a result, the Company's ultimate parent company is now ITV plc.

CARLTON BROADCASTING HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17. GOING CONCERN

The Company's ultimate parent undertaking has confirmed that it will continue to support the Company financially for the foreseeable future.