

# Carlton Broadcasting Holdings Limited

## Directors' report and financial statements

Registered number 2583084

Year ended 31 December 2004



## Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditor, KPMG Audit Plc, to the members of Carlton Broadcasting Holdings Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004. The comparatives are for the 15 month period ended 31 December 2003.

### Principal activities

The Company's principal activity is investment activities. The directors expect that the current level of investment activity will remain the same in the foreseeable future.

### Business Review

The results for the year are shown in the Profit and Loss Account on page 5 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.

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.

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.

### Dividends

On 20 December 2004 the Company paid a dividend of £12,306,679 in cash (*15 months to 31 December 2003: £5,000,000*).

### Directors

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

Michael Green  
Clive Jones

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 Michael Green and Clive Jones in the share capital and interests in share options of ITV plc are disclosed in the accounts of Carltonco 120 Limited for the year ended 31 December 2004. A copy of the accounts of Carltonco 120 Limited can be obtained from the Company Secretary at the registered office address.

## **Directors' report** *(continued)*

### **Donations**

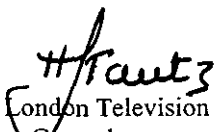
Grants and charitable donations made during the year amounted to £nil (*15 months to 31 December 2003 £nil*). There were no political contributions (*15 months to 31 December 2003: £nil*).

### **Auditor**

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

Company Secretary

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

## 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 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 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.

## **Report of the independent auditor, KPMG Audit Plc, to the members of Carlton Broadcasting Holdings Limited**

We have audited the financial statements on pages 5 to 12.

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 auditor**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, 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 the profit of the Company 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*

Date *17 October* 2005

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Profit and loss account

	Notes	Year ended 31 December 2004 £'000	15 months ended 31 December 2003 £'000
Operating expenses		(14)	-
<b>Operating loss</b>		<b>(14)</b>	<b>-</b>
Income from fixed asset investment		11,787	5,000
Interest receivable and similar income	3	5,285	7,223
Interest payable and similar charges	4	(5,250)	(6,569)
<b>Profit on ordinary activities before taxation</b>		<b>11,808</b>	<b>5,654</b>
Tax on profit on ordinary activities	5	(6)	-
<b>Profit on ordinary activities after taxation</b>		<b>11,802</b>	<b>5,654</b>
Dividends	6	(12,307)	(5,000)
<b>Retained (loss) / profit for the financial period</b>		<b>(505)</b>	<b>654</b>

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

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

## Balance sheet

	Notes	31 December 2004 £'000	31 December 2003 £'000
<b>Fixed assets</b>			
Investments	7	67,000	67,000
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	-	8,750
Cash at bank and in hand		37	707
		37	9,457
Creditors: amounts falling due within one year	9	(20)	(8,935)
<b>Net current assets</b>		17	522
<b>Total assets less current liabilities</b>		67,017	67,522
Creditors: amounts falling due after more than one year	10	(42,000)	(42,000)
<b>Net assets</b>		25,017	25,522
<b>Capital and reserves</b>			
Called up share capital	11	24,931	24,931
Share premium	12	71	71
Profit and loss account	12	15	520
<b>Equity shareholders' funds</b>		25,017	25,522

These financial statements were approved by the board of directors on 7 October 2005 and were signed on its behalf by:

  
M Green  
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 Financial Reporting Standard 1 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 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 14.

#### *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 likely than not that the asset will be recovered.

#### *Fixed asset investments*

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

### 2 Staff costs, directors' and auditor's remuneration

No director received any emoluments for their services to this Company (*15 months ended 31 December 2003: £nil*). Auditor's remuneration for 2004 has been borne by another group company (*15 months ended 31 December 2003: £100*). There were no employees and hence no staff costs during the year (*15 months ended 31 December 2003: £nil*).

**Notes (continued)**

**3 Interest receivable and similar income**

	Year ended 31 December 2004 £'000	15 months ended 31 December 2003 £'000
Interest receivable from group undertakings	5,250	6,563
Bank interest	35	28
Corporation tax refunds	-	632
	<u>5,285</u>	<u>7,223</u>

**4 Interest payable and similar charges**

	Year ended 31 December 2004 £'000	15 months ended 31 December 2003 £'000
Interest payable to group undertakings	5,250	6,563
Bank interest	-	6
	<u>5,250</u>	<u>6,569</u>

**5 Taxation on profit on ordinary activities**

	Year ended 31 December 2004 £'000	15 months ended 31 December 2003 £'000
Analysis of charge in period		
<i>Current tax:</i>		
UK corporation tax on profit for the period	(6)	-
Total current tax (see below)	<u>(6)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(6)</u>	<u>-</u>

*Factors affecting the tax credit for the current period*

The current tax charge for the year ended 31 December 2004 is lower than (15 months ended 31 December 2003: lower than) the standard rate of corporation tax in the UK (12 months ended 31 December 2004: 30%, 15 months ended 31 December 2003: 30%).

**Notes (continued)**

	Year ended 31 December 2004 £'000	15 months ended 31 December 2003 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	11,808	5,654
Current tax charge at 30% (15 months ended 31 December 2003: 30%)	(3,542)	(1,696)
Effects of: Expenses not deductible for tax purposes and group relief	3,536	1,696
Total current tax charge (see above)	(6)	-

**6 Dividends**

	Year ended 31 December 2004 £'000	15 months ended 31 December 2003 £'000
Equity	12,307	5,000
	12,307	5,000

## Notes (continued)

### 7 Fixed asset investments

	Shares in trade investment £'000	Shares in subsidiary undertaking £'000	Loan to subsidiary undertaking £'000	Total £'000
<b>Cost:</b>				
At 31 December 2003	178	25,000	42,000	67,178
Disposals	(178)	-	-	(178)
At 31 December 2004	-	25,000	42,000	67,000
<b>Amounts provided:</b>				
At 31 December 2003	(178)	-	-	(178)
Provided during the year	-	-	-	-
Disposals	178	-	-	178
At 31 December 2004	-	-	-	-
<b>Net book value:</b>				
At 31 December 2004	-	25,000	42,000	67,000
At 31 December 2003	-	25,000	42,000	67,000

The subsidiaries of the company, all of which are registered in England and Wales are:

Subsidiaries	Percentage of nominal value of issued ordinary shares held	Principal activities
Carlton Broadcasting Limited	100%	Production and broadcast of television programmes

The Company's entire shareholding in Tronji Limited was sold on 28 July 2004 for £1.

### 8 Debtors: amounts falling due within one year

	31 December 2004 £'000	31 December 2003 £'000
Amounts owed by subsidiary undertakings	-	3,750
Dividend receivable	-	5,000
	-	8,750

## Notes (continued)

### 9 Creditors: amounts falling due within one year

	31 December 2004 £'000	31 December 2003 £'000
Amounts owed to immediate parent company	-	3,935
Amounts owed to group undertakings	20	5,000
	<u>20</u>	<u>8,935</u>

### 10 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 2004 (2003: £42 million).

### 11 Called up share capital

	31 December 2004 £'000	31 December 2003 £'000
<b>Authorised:</b>		
150,000,000 ordinary shares of £1 each (2003: 150,000,000 ordinary shares of £1 each)	150,000	150,000
	<u>150,000</u>	<u>150,000</u>
<b>Allotted, issued and fully paid:</b>		
24,930,680 ordinary shares of £1 each (2003: 24,930,680 ordinary shares of £1 each)	24,931	24,931
	<u>24,931</u>	<u>24,931</u>

### 12 Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2004 £'000
At 1 January 2004	24,931	71	520	25,522
Retained loss for the period	-	-	(505)	(505)
	<u>24,931</u>	<u>71</u>	<u>15</u>	<u>25,017</u>
At 31 December 2004	24,931	71	15	25,017

### 13 Contingent liabilities

The Company and certain other group companies have entered into cross guarantees for the group's bank 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.

## Notes *(continued)*

### 14 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.