

Z Music Publishing Limited

(Registered Number 2818844)

Report And Financial Statements For The 15 Months Ended 31 December 2003



Z Music Publishing Limited

Contents

	Pages
Officers and professional advisers	2
Directors' report	3-4
Statement of directors' responsibilities	5
Report of the auditors	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9-12

Z Music Publishing Limited

Officers And Professional Advisers

Directors

N Markham (resigned 31 March 2004)
W Medlicott
J Cresswell (appointed 31 March 2004)

Company Secretary

H Tautz

Registered Office

The London Television Centre
Upper Ground
London
SE1 9LT

Bankers

HSBC Bank plc
PO Box 125
27-32 Poultry
London
EC2P 2BX

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Z Music Publishing Limited

Directors' Report

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

The principal activity of the company is music publishing.

Review of the business and future prospects

The company's turnover for the period was £2,126 (year to 30 September 2002: £57,493). The company made a profit after tax of £10,350 (year to 30 September 2002: £62,709).

An interim dividend of £170,000 was paid during the period (year to 30 September 2002: Nil). The directors do not recommend the payment of a final dividend.

The directors are satisfied with the results for the period. The company will continue with its principal activity during the coming year.

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 March 11 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.

Directors and their interests

The directors who served during the period are as follows:

N Markham
W Medicott

D Abdoo served as Company Secretary throughout the period. He resigned on 30 January 2004 and was replaced by H Tautz.

On 31 March 2004 N Markham resigned as a director and J Cresswell was appointed an additional director of the company.

None of the directors held any interest, as defined by the Companies Act 1985, in the share capital of the company or its subsidiary undertakings.

The interests of the following directors in the share capital of the ultimate holding company Carlton Communications Plc at 31 December 2003, together with their interests at 1 October 2002 were:-

Z Music Publishing Limited

5p Ordinary Shares 31 December 2003 1 October 2002

W Medlicott	25,087	5,500
N Markham	131,570	7,442

The interests of the directors in the share options over Carlton Communications Plc Ordinary 5p shares at prices ranging from a nominal amount to 561p exercisable after three years from the date of the grant together with movements during the period are set out below:

	Options at 30 September 2002	Options granted	Options exercised	Options lapsed	Options at 31 December 2003
N Markham	220,974	224,573	-	4,545	441,002
W Medlicott	136,446	159,246	-	2,272	293,420

Carlton Communications Plc has also granted options under its Equity Participation Plan ("EPP"). Participation in the EPP applies to Carlton's executive directors and selected senior executives. Participants invited to take part in the EPP are required to own Carlton shares (EPP shares) by a specified date to qualify for a matching award. 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 will be 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 are measured on the basis of Carlton's TSR performance against that of other major UK media companies and the FTSE-100 companies. None of the matching award will vest if Carlton's TSR is below median for the media comparator group. 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:-

	Options held at 1.10.02	Options granted	Options exercised	Options lapsed	Options held at 31.12.03
N Markham	746,664	688,170	-	-	1,434,834
W Medlicott	150,000	180,000	-	-	330,000

Auditors

Following the merger of Carlton Communications Plc with Granada plc, the directors propose that KPMG LLP be appointed as auditors to the Company with effect from the date PricewaterhouseCoopers LLP resign. KPMG LLP have expressed their willingness to act as auditors of the Company and accordingly a resolution of the members will be passed to appoint KPMG LLP as auditors at the relevant time.

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.

Z Music Publishing Limited

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors are required to prepare financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2003 and that applicable accounting standards have been followed.

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 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.

By order of the Board



H Tautz

Company Secretary

Date: 13 July 2004

Registered Office
The London Television Centre
Upper Ground
London
SE1 9LT

Z Music Publishing Limited

Auditors' report for Z Music Publishing 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 opinion has been prepared for and only for the Company's members 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.

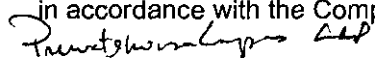
Basis of audit opinion

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 period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

Date: 13/7/04

Z Music Publishing Limited

Profit and Loss Account for the 15 months ended 31 December 2003

	Note	15 months ended 31 December 2003 £	Year ended 30 September 2002 £
Turnover	2	2,126	57,493
Cost of sales		-	(365)
Gross profit		2,126	57,128
Net operating expenses		(200)	(200)
Operating profit	3	1,926	56,928
Other interest receivable and similar income		8,424	5,781
Profit on ordinary activities before taxation		10,350	62,709
Tax charge on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation		10,350	62,709
Dividends		(170,000)	-
Retained (loss)/profit for the period		(159,650)	62,709
Profit and loss account brought forward		183,644	120,935
Profit and loss account carried forward	9	23,994	183,644

There are no recognised gains or losses for the current and preceding financial period other than as stated in the profit and loss account. Consequently no statement of total recognised gains and losses has been prepared.

There is no difference between the profit on ordinary activities and the retained profit as shown, and their historical cost equivalents.

All activities relate to continuing operations.

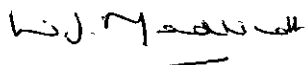
The notes on pages 9 to 12 form part of these financial statements.

Z Music Publishing Limited

Balance Sheet at 31 December 2003

	Note	31 December 2003 £	30 September 2002 £
Current assets			
Debtors	6	2	17,273
Cash at bank and in hand		33,587	172,704
		33,589	189,977
Creditors: amounts falling due within one year	7	(9,593)	(6,331)
Net current assets		23,996	183,646
Capital and reserves			
Called up share capital	8	2	2
Profit and loss account	9	23,994	183,644
Equity shareholders' funds	10	23,996	183,646

The financial statements on pages 7 to 12 were approved by the board of directors on 13/7/04 2004 and were signed on its behalf by:



William Medlicott
Director

Z Music Publishing Limited

Notes to the Financial Statements for the 15 months ended 31 December 2003

1 Accounting Policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

a) Basis of preparation

The financial statements are prepared under the historical cost convention.

b) Turnover

Turnover represents costs recovered on contracts and other income attributable to the ordinary activities of the company.

c) Royalties receivable

Royalties receivable are recognised in respect of returns received for each of the royalty accounting periods ending within the company's financial period.

f) Corporation & Deferred taxation

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

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.

2 Turnover

The turnover and profit before taxation are attributable to the ordinary activities of the company. The directors are of the opinion that no part of the company's worldwide market is substantially different from any other and therefore a geographical analysis of turnover and profit or loss is not disclosed.

3 Operating Profit

	15 months ended 31 December 2003 £	Year ended 30 September 2002 £
Operating profit is stated after charging:		
Auditors' remuneration – as auditors	100	100

Z Music Publishing Limited

4 Information Regarding Directors and Employees

No directors received any emoluments in their role as directors of the company (year ended 30 September 2002: £Nil).

Z Music Publishing Limited had no employees during the period, hence employee costs are £Nil (year ended 30 September 2002: £Nil).

5 Taxation On Profit On Ordinary Activities

15 months ended 31 December 2003 £	Year ended 30 September 2002 £
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(a) Analysis of tax charge for the period

United Kingdom corporation tax based on the profits for the period at 30% (2002:30%)

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(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 £	Year ended 30 September 2002 £
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Profit on ordinary activities before taxation	10,350	62,809
Tax charge at 30% (2002: 30%)	(3,105)	(18,843)
Decrease resulting from:		
Other permanent differences and group relief	3,105	18,843
Current tax charge for the period	-	-

6 Debtors

31 December 2003 £	30 September 2002 £
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Called up share capital not paid	2	2
Prepayments and accrued income	-	17,271
	2	17,273

Z Music Publishing Limited

Notes to the Financial Statements for the 15 months ended 31 December 2003 (Continued)

7 Creditors: Amounts Falling Due Within One Year

	31 December 2003 £	30 September 2002 £
Amounts owed to Group undertakings	9,343	-
Accruals	200	6,331
	<u>9,593</u>	<u>6,331</u>

8 Called Up Share Capital

	31 December 2003 £	30 September 2002 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and unpaid		
2 unpaid ordinary shares of £1 each	2	2

9 Reserves

	Profit and loss account £
At 1 October 2002	183,644
Retained loss for the period	(159,650)
At 31 December 2003	<u>23,994</u>

10 Reconciliation Of Movements In Shareholders' Funds

	31 December 2003 £	30 September 2002 £
Opening shareholders' funds	183,646	120,937
Profit for the period	10,350	62,709
Dividends	(170,000)	-
Closing shareholders' funds	<u>23,996</u>	<u>183,646</u>

Z Music Publishing Limited

Notes to the Financial Statements for the 15 months ended 31 December 2003 (Continued)

11 Cash Flow Statement

No cash flow statement has been prepared since the company is a wholly owned subsidiary of Carlton Communications Plc whose accounts include a consolidated cash flow statement.

Consequently, the company has taken advantage of the exemption under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

12 Related Party Transactions

The company is taking advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No 8 "Related Party Disclosures" not to disclose transactions with group companies which are related parties.

13 Ultimate Parent Undertaking And Controlling Entity

The ultimate controlling and parent company (as defined in FRS8) 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.

14 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 March 11 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.

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