Granada Media Limited

Directors' report and financial statements

Registered number 03106798

Year ended 31 December 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007 The comparatives are for the year ended 31 December 2006

Principal activities and business review

The principal activity of Granada Media Limited ("the Company") continues to be to act as a holding company

The results for the Company show a loss of £1,103 million for the year (2006 profit of £83 million)

The Company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review

Principal transactions and post balance sheet events

During the year the ITV plc group continued the operational and legal restructuring programme, commenced in 2004, to simplify the corporate structure

Dividends

On 27 September 2007 the Company paid an interim dividend of £2,000 million to Granada Group Limited, its immediate parent undertaking (year ended 31 December 2006 £nil) The directors do not recommend the payment of a final dividend (year ended 31 December 2006 £nil)

Directors

The following were directors of the Company during the year ended 31 December 2007

John Cresswell
Helen Tautz
James Tibbitts

Donations

Grants and charitable donations made during the year amounted to £134,482 (year ended 31 December 2006 £51,637) There were no political contributions made during the year (year ended 31 December 2006 £nil)

Directors' report *(continued)*

Auditor and disclosure of information to auditor

The directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Eleanor Irving
Company Secretary

200 Gray's Inn Road
London
WC1X 8HF

1 September 2008

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 and applicable law (UK Generally Accepted Accounting Practice)

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 judgements 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 auditor's report to the members of Granada Media Limited

We have audited the financial statements of Granada Media Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' 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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditor
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Date 12 September 2008

Profit and Loss account

	Note	**Year ended 31 December 2007 £m**	Year ended 31 December 2006 £m
Administrative income		**1**	3
Operating profit		**1**	3
Amounts written off other investments	*7*	**(47)**	(41)
Amounts written off investments in subsidiary undertakings	*6*	**(1,149)**	-
Income from fixed asset investments	*3*	**20**	46
Interest receivable and similar income	*4*	**72**	74
(Loss)/profit on ordinary activities before taxation		**(1,103)**	82
Tax on profit on ordinary activities	*5*	**-**	1
(Loss)/profit for the financial year	*12*	**(1,103)**	83

As stated in the directors' report the results for both the current year and prior year derive 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 or prior year other than those disclosed in the above 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

The notes on pages 7 to 14 form part of these financial statements

Balance sheet

	Note	31 December 2007		31 December 2006	
		£m	£m	£m	£m
Fixed assets					
Investments in subsidiary undertakings	6		2,591		4,272
Other investments	7		22		53
			2,613		4,325
Current assets					
Debtors	8	2		18	
Cash at bank and in hand		153		1,525	
		155		1,543	
Current liabilities					
Creditors amounts falling due within one year	9	(30)		(26)	
Net current assets			125		1,517
Total assets less current liabilities			2,738		5,842
Provisions for liabilities and charges	10		(1)		(2)
Net assets			2,737		5,840
Capital and reserves					
Called up share capital	11		257		257
Capital contribution reserve	12		1,802		1,802
Merger reserve	12		636		636
Profit and loss account	12		42		3,145
Equity shareholders' funds			2,737		5,840

The notes on pages 7 to 14 form part of these financial statements

These financial statements were approved by the board of directors on 1 September 2008 and were signed on its behalf by

H Tautz

Helen Tautz
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

Dividends

Dividends are recognised in the period in which they are declared

Cash flow statement

Under FRS 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

Investments

The Company's balance sheet includes investments at cost less amounts written off in respect of any permanent diminution in value

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the translation 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

Taxation

The charge for taxation is based on the 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 more likely than not that the asset will be recovered

Notes *(continued)*

2 Staff costs, directors' and auditor's remuneration

No director received any emoluments for their services to this Company (2006 £nil) The auditor's remuneration of £500 for the current and prior years has been borne by another group company (2006 £500) Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent ITV plc

There were no employees and hence no staff costs (2006 £nil)

3 Income from fixed asset investments

	Year ended 31 December 2007 £m	Year ended 31 December 2006 £m
Dividends received	**20**	46

4 Interest receivable and similar income

	Year ended 31 December 2007 £m	Year ended 31 December 2006 £m
Bank interest	**70**	72
Receivable from group undertakings	**1**	1
Other	**1**	1
	72	74

Notes *(continued)*

5 Taxation

Analysis of charge/(credit) in year	**Year ended 31 December 2007 £m**	Year ended 31 December 2006 £m
Current tax		
UK Corporation tax on profit for the year	-	-
Adjustments in respect of prior years	-	(1)
Total current tax (see below)	-	(1)
Tax on (loss)/profit on ordinary activities	-	(1)

The current tax charge for the year is lower *(year ended 31 December 2006 credit, higher)* than the standard rate of corporation tax in the UK *(year ended 31 December 2007 30%, year ended 31 December 2006 30%)* The differences are explained below

	Year ended 31 December 2007 £m	Year ended 31 December 2006 £m
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(1,103)**	82
Current tax at 30% *(2006 30%)*	**(331)**	25
Effects of		
Amounts not deductible for tax purposes	**360**	12
Other permanent differences and group relief	**(18)**	(15)
Utilisation of tax losses	**(11)**	(22)
Adjustments in respect of prior years	-	(1)
Total current tax charge/(credit) (see above)	-	(1)

At 31 December 2007, the Company has a potential deferred tax asset of £nil *(31 December 2006 £11 million)* in relation to tax losses This asset has not been recognised in the financial statements as, in the opinion of the directors, there is insufficient evidence that it will be recoverable

Notes *(continued)*

6 Investments in subsidiary undertakings

The movements in the investments in subsidiary undertakings of the Company during the year are analysed below

	Total £m
Cost	
At 1 January 2007	4,475
Additions	210
Disposals	(123)
Return of capital	(638)
At 31 December 2007	**3,924**
Provisions	
At 1 January 2007	(203)
Charged in year	(1,149)
Disposals	19
At 31 December 2007	**(1,333)**
Net book value	
At 31 December 2007	**2,591**
At 31 December 2006	4,272

The principal directly held subsidiary undertakings of the Company at 31 December 2007 are

Subsidiary undertaking	Country of incorporation	Principal activity	Class and percentage of shares held
ITV Productions Limited	UK	Programme production	100%
ITV Consumer Limited	UK	New media exploitation	100%
ITV Broadcasting Limited	UK	Broadcasting	100%

During the year the group underwent a restructuring exercise which resulted in the Company acquiring new investments and increasing and subsequently impairing investments in subsidiaries already held The Company held investments in subsidiary companies which were struck off during the year As these were all held at net book value of £nil there has been no resulting profit or loss booked

During the year the Directors reviewed the carrying values of the Company's investments and deemed it necessary to write down their investment in ITV Broadcasting Limited

In the opinion of the directors the list of all investments would be excessive, thus, the subsidiary companies shown are those which are directly held and which principally affect the figures in the Company's accounts

Notes *(continued)*

7 Other investments

	£m
At 1 January 2007	53
Additions	16
Amounts written off	(47)
At 31 December 2007	**22**

	31 December 2007 £m	31 December 2006 £m
Investments listed		
- London Stock Exchange	22	53

	31 December 2007 £m	31 December 2006 £m
Market value of listed investments	22	52

The additions relate to funding made by Granada Media Limited to the ITV Employee Benefit Trust during the year The write off partly arose due to an impairment in the carrying value of the Company's investment in SMG plc and partly to the transfer and vesting of shares in the ITV Employee Benefit Trust This trust holds shares in ITV plc, the Company's listed ultimate parent undertaking

The Company's other listed investment is detailed below

Name	% owned 31 December 2007	% owned 31 December 2006	Principal activity
SMG plc**	5 60	16 78	Management activities for holding companies and television broadcasting in central and north Scotland

** Incorporated and registered in Scotland

8 Debtors

	31 December 2007 £m	31 December 2006 £m
Amounts owed by group undertakings	-	2
Prepayments and accrued income	1	7
Other debtors	-	8
Taxation	1	1
	2	18

9 Creditors. amounts falling due within one year

	31 December 2007 £m	31 December 2006 £m
Amounts owed to group undertakings	30	26

Notes *(continued)*

10 Provisions for liabilities and charges

	£m
At 1 January 2007	2
Released in the year	(1)
At 31 December 2007	**1**

Provisions principally relate to the closure costs of Ondigital (1998) Limited and ITV Sport Channel Limited

11 Called up share capital

	Authorised		Issued and fully paid	
	2007	2006	2007	2006
Ordinary shares of 2 5p each	£m	£m	£m	£m
Authorised				
3,480,955,360 *(31 December 2006 3,480,955,360)* shares	**87**	87		
Allotted, called up and fully paid				
1,500,002,861 *(31 December 2006 1,500,002,861)* shares			**38**	38
Participating preference shares of £1 each				
Authorised				
219,226,116 *(31 December 2006 219,226,116)* shares	**219**	219		
Allotted, called up and fully paid				
219,226,116 *(31 December 2006 219,226,116)* shares			**219**	219
Total	**306**	306	**257**	257

a In the period ended 31 December 2007 no ordinary shares were issued

b Granada Group Limited is the sole holder of the Company's participating preference shares and is entitled to a variable participating dividend in respect of each financial year of the Company of 0 25% of the amount of the Company's annual consolidated post tax profits exceeding £250 million but less than or equal to £500 million and 0 16% of the amount of the Company's annual consolidated post tax profits in excess of £500 million

The participating preference shares rank prior to the ordinary shares but are limited on a winding up to any unpaid arrears and accruals of participating dividends calculated to the date of return of capital and the amount of capital paid up or credited as paid up in respect of the participating preference shares

The participating preference shares carry only very limited voting rights The holders of such shares are entitled to vote in respect of them at any General Meeting of the Company (i) if the business of the meeting includes the consideration of a resolution for winding up the Company or of matters affecting any of the rights attaching to the participating preference shares or (ii) if at the date of the meeting the preferential dividend is in arrears for six months or more after any fixed payment date

Rights to dividends payable on participating preference shares have been waived by Granada Group Limited

Notes *(continued)*

11 Called up share capital *(continued)*

c At 31 December 2007 options over ordinary shares in ITV plc under the terms of the Granada Media schemes granted to directors, executives and staff were outstanding as follows

Option scheme	Exercise period	Exercise price	Number of shares
Granada Media Limited schemes			
Executive Option Scheme	July 2003 to December 2010	217 78p – 268 32p	8,420,124
Commitment Scheme	July 2002 to July 2010	268 32p	4,699,769

Up until the Merger of Granada plc and Carlton Communications Plc on 2 February 2004 on exercise of options under the Granada Media schemes, participants were to receive Granada Media Limited shares which would be converted immediately on the basis of 1 8455 Granada plc shares for every Granada Media Limited share held The figures disclosed above represent the equivalent exercise price and number of Granada plc shares

Following the merger, on exercise of options under the Granada Media schemes, participants will receive ITV plc shares in accordance with the Articles of Association on the basis of 1 91932 ITV plc shares for every Granada Media Limited share held

d The Company has investments in ITV plc shares as a result of shares purchased by certain employee benefit trusts to which the Company has made loans

At 31 December 2007 the trusts held the following shares

ITV Employees' Benefit Trust 15,647,090 shares (market value £13 million) *(31 December 2006 15,662,147 shares (market value £17 million))*

The shares will be held in trust until such time as they may be transferred to participants of the various Group share schemes Rights to dividends have been waived by the ITV Employees' Benefit Trust in respect of shares held which do not relate to the Deferred Share Award Plan

Notes *(continued)*

12 Reconciliation of movements in shareholders' funds

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Profit and loss account £m	**Total £m**
At 1 January 2007	257	1,802	636	3,145	**5,840**
(Loss)/profit for year	-	-	-	(1,103)	**(1,103)**
Dividend paid	-	-	-	(2,000)	**(2,000)**
At 31 December 2007	257	1,802	636	42	**2,737**

13 Contingent liabilities

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 2007 this contingent liability amounted to £nil *(31 December 2006 £nil)*

In the opinion of the directors, adequate allowance has been made in respect of this matter

14 Ultimate parent company

At 31 December 2007 the Company's immediate parent company was Granada Group 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, ITV plc, 200 Gray's Inn Road, London WC1X 8HF