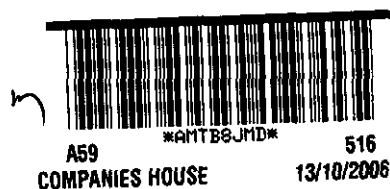


Carlton Film Distributors Limited

(Registered Number: 301188)

**Directors' report and accounts
for the year ended 31 December 2005**



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005. The comparatives are for the year ended 31 December 2004.

Principal activities

The Company's principal activity is the worldwide exploitation and distribution of television programming.

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.

Capital Reduction

During the period a reduction of the Company's authorised and issued ordinary share capital from 18,000,000 shares with a nominal value of £1.00 each to 18,000,000 shares with a nominal value of £0.00000005 each was effected.

The resulting credits have been applied to the profit and loss account. The reduction became effective on 21 July 2005, being the date of registration at Companies House.

Dividends

On 31 August 2005 the Company paid an interim dividend of £18,000,000 in cash. On 16 December 2005 the Company paid a further interim dividend of £2,197,040 in cash (year to 31 December 2004: £nil).

Directors

The following were directors of the Company during the year ended 31 December 2005:

J. Cresswell
W.J. Medlicott

No director had any interest in any contract with the Company or its subsidiary undertakings except as disclosed in these financial statements.

Directors' report (continued)

Directors' interests and share options

The shareholdings of J Cresswell and WJ Medlicott 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 2005. A copy of the accounts of Carltonco 120 Limited can be obtained from the Company Secretary at the registered office address.

Donations

Grants and charitable donations amounted to £nil (year ended to 31 December 2004: £nil). There were no political contributions (year ended 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 a 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


H Taufz
Company Secretary

The London Television Centre
Upper Ground
London SE1 9LT

22 September 2006

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 auditor's report to the members of Carlton Film Distributors Limited

We have audited the financial statements of Carlton Film Distributors Limited for the year ended 31 December 2005 which comprise of 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

As described in the Statement of directors' responsibilities on page 3, 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 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 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.

Independent auditor's report to the members of Carlton Film Distributors Limited (continued)

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 profit 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
United Kingdom

Date **5 October 2006**

Carlton Film Distributors Limited
Directors' report and financial statements
Year ended 31 December 2005

Profit and loss account

		Year ended 31 December 2005	Year ended 31 December 2004
	Note	£'000	£'000
Turnover		2,886	3,994
Cost of sales		(892)	(3,389)
Gross profit		1,994	605
Administration expenses		12	(37)
Operating profit		2,006	568
Interest receivable	2	359	144
Profit on ordinary activities before taxation	3	2,365	712
Tax on profit on ordinary activities	5	(709)	(210)
Profit on ordinary activities after taxation		1,656	502

The results stated above are all derived from continuing activities.

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

There are no recognised gains or losses during the current and prior year other than those reflected in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

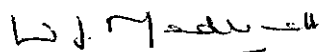
The notes on pages 8 to 16 are an integral part of these financial statements.

Carlton Film Distributors Limited
Directors' report and financial statements
Year ended 31 December 2005

Balance sheet

		31 December 2005	31 December 2004
	Note	£'000	£'000
Fixed assets			
Intangible assets	7	752	657
Tangible assets	8	429	550
		1,181	1,207
Current assets			
Debtors: amounts falling due within one year	10	1,611	17,679
Debtors: amounts falling due after one year	10	-	1,638
Cash at bank and in hand		4,884	3,638
		6,495	22,955
Creditors: amounts falling due within one year	11	(5,985)	(3,932)
Net current assets		510	19,023
Provision for liabilities and charges	12	(37)	(35)
Net assets		1,654	20,195
Capital and reserves			
Called up share capital	13	-	18,000
Profit and loss account	14	1,654	2,195
Equity shareholders' funds		1,654	20,195

Signed on behalf of the Board by



W.J. Medlicott

Director

22 SEPTEMBER 2006

The notes on pages 8 to 16 are an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the significant accounting policies is set out below.

Basis of preparation

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

As the Company is a wholly owned subsidiary of ITV plc (see note 16), another body corporate registered in England and Wales, advantage has been taken of s228 of the Companies Act 1985 not to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company has adopted FRS 28 'Corresponding amounts' for the first time in these accounts.

Cash flow statement

The cash flows of this Company are included in the consolidated cash flow statement of ITV plc. Accordingly the Company has taken advantage of the exemption granted by FRS1 'Cash flow statements' whereby it is not required to publish its own Statement of Cash Flows.

Intangible fixed assets and amortisation

Intangible assets relate to the restoration of the film library material. Amortisation is calculated to write off these assets by 2017 (20 years from the acquisition of the Company by Carlton Communications Limited).

Tangible fixed assets and depreciation

Depreciation is calculated on cost or valuation on a straight line basis over 6 years for remastering costs so as to write down the value of the assets to nil over their expected useful lives.

Investments

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

Film and programme rights

Film and programme rights are stated at the lower of cost and net realisable value. Where necessary, provisions are made for permanent reductions in value. Amortisation is calculated on an individual programme basis as a percentage of gross revenue in the period.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Turnover

Revenue earned on the exploitation of film and programme rights is recognised as turnover at the point at which the right sold is available for exploitation by the licensee. All amounts recognised as turnover are stated net of VAT or equivalent sales taxes and net of rebates or refunds.

The right sold is considered to be available for exploitation by the licensee at the point when a binding commitment exists with a customer, the programme is available for exploitation and the physical material is available for delivery.

Royalties receivable in excess of minimum guarantees are recognised at the point at which such royalties become due and payable to the Company.

Taxation

The charge for taxation is based on the result 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.

Foreign currencies

Foreign currency transactions during the year are translated into sterling at the exchange rates ruling at the dates of the transactions. Foreign currency assets and liabilities at the year-end are translated at the rate ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

Dividends

Dividends are recognised in the period in which they are declared.

Related party transactions

The Company is a wholly owned subsidiary of ITV plc. Therefore it has taken advantage of the exemption in FRS 8 'Related party transactions' not to disclose any transactions or balances with entities that are part of the group.

Notes to the financial statements (continued)

2 Interest receivable

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
Bank interest receivable	359	144

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
Provision against impaired stock values	-	1,237
Loss on disposal of tangible fixed assets	7	-
Amortisation of intangible assets	64	54
Depreciation	214	228
Foreign exchange (gain) / loss	(15)	28

The audit fee for 2005 and 2004 was borne by a fellow group undertaking.

4 Directors' and employees' remuneration

No director received any emoluments for their services to this Company (2004: £nil). There were no employees and hence no staff costs during the year (2004: nil).

Notes to the financial statements (continued)

5 Tax on profit on ordinary activities

Analysis of charge in year

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
<i>Current tax:</i>		
UK corporation tax on profits for the period	(707)	(210)
Total current tax for the period (see below)	(707)	(210)
<i>Deferred tax:</i>		
Charge for the year (see note 12)	(2)	(3)
Tax on profit on ordinary activities	(709)	(213)

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

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,365	712
Tax charge at 30% (2005:30%)	(709)	(213)
Effects of:		
Timing differences	2	3
Total current tax charge (see above)	(707)	(210)

Notes to the financial statements (continued)

6 Dividends

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Dividends paid	20,197	-

7 Intangible fixed assets

	Restoration £'000
Cost	
At 1 January 2005	819
Additions	159
At 31 December 2005	978
Amortisation	
At 1 January 2005	162
Charge for the period	64
At 31 December 2005	226
Net book value	
At 31 December 2005	752
At 1 January 2005	657

Notes to the financial statements (continued)

8 Tangible fixed assets

	Remastering £'000
Cost	
At 1 January 2005	1,423
Additions	93
At 31 December 2005	1,516
Depreciation	
At 1 January 2005	873
Charge for the period	214
At 31 December 2005	1,087
Net book value	
At 31 December 2005	429
At 1 January 2005	550

9 Fixed asset investments

Fixed asset investments comprises the following:

	31 December 2005 £	31 December 2004 £
Investments in associated undertakings:		
British Film Makers Limited	50	50
Net book value	50	50

In 2004 the Company held an investment in Rank Castle Rock / Turner Limited comprising two ordinary £1 shares which represented a 50% shareholding. The company, which was incorporated in Great Britain and registered in England and Wales was struck off the company register on 29 March 2005.

The investment in British Film Makers Limited comprises 50 "B" ordinary £1 shares which represent a 50% shareholding. The principal activity of British Film Makers Limited is the collection of revenue from film production on behalf of third parties and the distribution thereof. The company is incorporated in Great Britain and registered in England and Wales.

British Film Makers Limited has a financial year end of 31 January.

Notes to the financial statements (continued)

10 Debtors

	31 December 2005	31 December 2004
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by other group undertakings	1,573	17,624
Other debtors	38	55
	<u>1,611</u>	<u>17,679</u>
Amounts falling due after more than one year:		
Amount owed by fellow subsidiary undertakings	-	1,638
	<u>1,611</u>	<u>19,317</u>

11 Creditors: amounts falling due within one year

	31 December 2005	31 December 2004
	£'000	£'000
Bank overdraft	95	-
Amounts owed to other group undertakings	1,810	-
Accruals and deferred income	24	-
UK corporation tax	983	509
Other creditors	<u>3,073</u>	<u>3,423</u>
	<u>5,985</u>	<u>3,932</u>

12 Deferred taxation

	£'000
Deferred tax:	
At 1 January 2005	35
Charge for the year (see note 5)	2
At 31 December 2005	<u>37</u>

	31 December 2005	31 December 2004
	£'000	£'000
Deferred taxation comprises:		
Depreciation for the period in excess of capital allowances	(5)	(7)
Short-term timing differences	<u>42</u>	<u>42</u>
	<u>37</u>	<u>35</u>

Notes to the financial statements (continued)

13 Called-up share capital

	31 December 2005 £	31 December 2004 £
Authorised		
18,000,000 ordinary shares of £0.00000005 each (2004 – 18,000,000)	1	18,000,000
Allotted, called-up and fully paid		
18,000,000 ordinary shares of £0.00000005 each (2004 – 18,000,000)	1	18,000,000

On 21 July 2005 the Company made a reduction in share capital to £1 and transferred all its share capital to distributable reserves.

14 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	18,000	2,195	20,195
Reduction in share capital	(18,000)	18,000	-
Retained profit for the year before dividends	-	1,656	1,656
Dividends paid	-	(20,197)	(20,197)
At 31 December 2005	-	1,654	1,654

15 Contingent Liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2005 of £37 million (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 (31 December 2004: £5 million).

In the opinion of the directors, adequate allowance has been made in respect of these matters.

Notes to the financial statements (continued)

16 Ultimate parent company

At 31 December 2005 the Company's immediate parent company was Carlton Content Holdings 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.