

Granada AV Solutions Limited

**Directors' report and financial
statements**

Registered number 03721639

31 December 2007

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of Granada AV Solutions Limited Limited	3
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 2007
The comparatives are for the year ended 31 December 2006

Principal activities

The principal activity of the Company is the rental and retail of televisions, videos and system installations into business premises

Business review

The results for the period are shown in the profit and loss account on page 5 of these financial statements. The Company has met the requirements in Companies Act 1985 to obtain an exemption provided from the presentation of an enhanced business review.

Proposed dividend

The directors do not recommend the payment of a dividend (2006 £nil)

Directors and directors' interests

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

Helen Tautz
James Tibbitts

There are no qualifying third party indemnity provisions in place for directors during the financial year and at the date of this report

Political and charitable contributions

The Company made no political or charitable contributions during the period (2006 £nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this 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 the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Financial Statements before the Company in General Meetings, 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. KPMG Audit Plc will therefore continue in office.

By order of the board


E Irving
Company Secretary

200 Grays Inn Road
London
WC1X 8HF

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 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



KPMG Audit Plc

Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

Independent auditors' report to the members of Granada AV Solutions Limited

We have audited the financial statements of Granada AV Solutions 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 2.

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.

Independent auditors' report to the members of Granada AV Solutions 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 2007 and of its profit 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
Registered Auditor

22 August 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Turnover		272,341	425,200
		<hr/>	<hr/>
Staff costs	<i>4</i>	(154,956)	(121,170)
Depreciation/(amortisation) and other amounts written off/(written back) to fixed assets			
- tangible	<i>8</i>	(12,646)	(74,382)
- intangible	<i>7</i>	6,763	31,976
Other operating charges		(20,487)	(40,828)
		<hr/>	<hr/>
Operating costs		(181,326)	(204,404)
		<hr/>	<hr/>
Operating profit		91,015	220,796
Interest receivable and similar income	<i>5</i>	97,542	69,924
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	188,557	290,720
Taxation on profit on ordinary activities	<i>6</i>	-	(1,478)
		<hr/>	<hr/>
Retained profit on ordinary activities after taxation	<i>12</i>	188,557	289,242
		<hr/>	<hr/>

A reconciliation of movements in shareholders funds is given in note 13

The results stated above are all derived from continuing operations

There are no recognised gains and losses except for those shown above. Accordingly, no statement of total recognised gains and losses has been prepared.

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

Balance sheet
at 31 December 2007

	Note	2007 £	£	2006 £	£
Fixed assets					
Intangible assets	7		(2,934)		(9,697)
Tangible assets	8		5,484		18,130
			<u>2,550</u>		<u>8,433</u>
Current assets					
Debtors	9	24,363		40,355	
Cash at bank and in hand		1,615,248		1,472,370	
		<u>1,639,611</u>		<u>1,512,725</u>	
Creditors: amounts falling due within one year	10	<u>(245,473)</u>		<u>(313,027)</u>	
Net current assets			<u>1,394,138</u>		<u>1,199,698</u>
Net assets			<u>1,396,688</u>		<u>1,208,131</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		1,396,687		1,208,130
Shareholders' funds	13		<u>1,396,688</u>		<u>1,208,131</u>

These financial statements were approved by the board of directors on 15 August 2008 and were signed on its behalf by


H 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 have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The financial statements are prepared on the going concern basis which the directors believe to be appropriate given the financial position and future trading forecasts of the Company

All of the Company's voting rights are controlled within the group headed by ITV plc (see note 18). 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 Granada plc, within which this Company is included, can be obtained from the address given in note 18 to the financial statements

Cash flow statements

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

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale

Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off assets over their estimated useful lives

Office equipment - On a straight line basis over 3 years

Rental assets are stated at purchase price, less depreciation. Rental assets are depreciated in line with the period of the associated rental contract

Stocks

Stocks are stated at the lower of cost and net realisable value

Notes (continued)

1 Accounting policies (continued)

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 without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents rental and retail income.

Rental income receivable is brought into the financial statements on an attributable period basis as it falls due, annual contracts being deferred and released as time periods elapse (exclusive of Value Added Tax).

Disposal of ex-rental televisions, videos and associated services are included in turnover on a receivable basis (exclusive of Value Added Tax).

Post-retirement benefits

The Company is a member of the ITV Pension Scheme, a defined benefit scheme. However, as permitted by FRS 17 'Retirement benefits', the Company is exempt from accounting for the pension scheme as a defined benefit scheme within the financial statements as the Company is unable to identify its share of the underlying assets and liabilities from those of the other participating employers within the group defined benefit scheme. Therefore the Company has treated the pension scheme as if it was a defined contribution scheme and the contributions payable to the scheme for the period are charged to the profit and loss account.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at 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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rental payments are charged directly to the profit and loss account on an accruals basis.

Notes (continued)

2 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated, after charging</i>		
Operating lease costs Land and buildings	-	1,086
Depreciation on owned tangible fixed assets	12,646	74,382
<i>after crediting</i>		
Amortisation of negative goodwill	6,763	31,976
	<u>6,763</u>	<u>31,976</u>

The auditors' remuneration of £8,500 (2006 £7,875) was borne by another group Company. 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 to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, ITV plc.

3 Remuneration of directors

No director received any remuneration for their services to the Company (2006 £nil)

4 Staff numbers and costs

The average number of persons employed by the Company (excluding directors) during the period, analysed by division for the current period only, was as follows:

	2007	2006
Administration and sales	2	2
Finance	1	1
	<u>3</u>	<u>3</u>
Total	<u>3</u>	<u>3</u>

The aggregate payroll costs of these persons were as follows:

	2007 £	2006 £
Wages and salaries	115,392	100,620
Social security costs	9,160	10,078
Other pension costs	30,404	10,472
	<u>154,956</u>	<u>121,170</u>

Notes (continued)

5 Interest receivable and similar income

	2007 £	2006 £
On bank accounts	97,542	69,924

6 Taxation

Analysis of charge in period

	2007 £	2006 £
UK Corporation tax on income for the period	-	-
Adjustment in respect of prior periods	-	1,478
Tax on profit on ordinary activities	-	1,478

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%, 2006 30%) The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	188,557	290,720
Current tax charge at 30% (2006 30%)	56,567	87,216
<i>Effects of</i>		
Capital allowances for period in excess of depreciation	(52,232)	(52,387)
Permanent differences and group relief	(2,305)	(34,829)
Adjustment in respect of prior years	-	1,478
Tax losses utilised	(2,030)	-
Total current tax charge (see above)	-	1,478

Factors that may affect future tax charges

As noted below, the Company has identified a deferred tax asset of £155,338 (2006 £218,665) relating to accelerated capital allowances. It is considered that the availability of sufficient taxable profits in the future against which these timing differences can be deducted cannot be seen with reasonable certainty. Therefore the deferred tax asset has not been recognised. An appropriate asset will be recognised when the Company can demonstrate a reasonable expectation of sufficient suitable taxable profits to utilise the timing difference.

	2007 £	2006 £
Accelerated capital allowances	155,338	218,665

Notes (continued)

7 Intangible fixed assets – negative goodwill

	Negative goodwill £
<i>Cost</i>	
At 1 January 2007 and 31 December 2007	(453,523)
	<hr/>
<i>Amortisation</i>	
At 1 January 2007	443,826
Written back in the year	6,763
	<hr/>
At 31 December 2007	450,589
	<hr/>
<i>Net book value</i>	
At 31 December 2007	(2,934)
	<hr/>
At 31 December 2006	(9,697)
	<hr/>

The negative goodwill arising is being written back in line with the remaining life of the rental assets acquired

Notes (continued)

8 Tangible fixed assets

	Office equipment £	Rental assets £	Total £
<i>Cost or valuation</i>			
At 1 January 2007 and 31 December 2007	58,212	275,234	333,446
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2007	58,212	257,104	315,316
Charge for year	-	12,646	12,646
	<hr/>	<hr/>	<hr/>
At 31 December 2007	58,212	269,750	327,962
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2007	-	5,484	5,484
	<hr/>	<hr/>	<hr/>
At 31 December 2006	-	18,130	18,130
	<hr/>	<hr/>	<hr/>

9 Debtors

	2007 £	2006 £
Trade debtors	19,334	34,500
Other debtors	1,740	2,503
Prepayments	3,289	3,352
	<hr/>	<hr/>
	24,363	40,355
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2007 £	2006 £
Rentals received in advance	60,789	135,856
Trade creditors	2,712	4,748
Amounts owed to group undertakings	168,811	9,156
Other creditors including taxation and social security	5,177	-
Accruals	6,506	5,531
Corporation tax	1,478	157,736
	<u>245,473</u>	<u>313,027</u>

11 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

12 Profit and loss account

	Profit and loss account £
At 1 January 2007	1,208,130
Profit for the year	<u>188,557</u>
At 31 December 2007	<u>1,396,687</u>

The cumulative amount of negative goodwill resulting from acquisitions in earlier financial years which has been written back is £450,589 (2006 £443,826)

13 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	<u>188,557</u>	289,242
Net increase in shareholders' funds	188,557	289,242
Opening shareholders' funds	<u>1,208,131</u>	<u>918,889</u>
Closing shareholders' funds	<u>1,396,688</u>	<u>1,208,131</u>

Notes (continued)

14 Leasing commitments

There were annual commitments under non-cancellable operating leases at 31 December 2007 as follows

	2007 £	2006 £
Land and buildings		
Expiring after the fifth year	-	-
	<u>-</u>	<u>-</u>
	-	-
	<u>-</u>	<u>-</u>

15 Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2007 of £29 million (2006 £29 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 2007, this contingent liability amounted to £nil (2006 £nil)

No security has been provided for this contingent liability

16 Related party transactions

As a wholly owned subsidiary of ITV plc (see note 18), the Company has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions which form part of this group

The Company had no transactions during the year ended 31 December 2007 with UK Consumer Electronics Limited (UKCE) a wholly owned subsidiary of Box Clever Technology Limited, an entity jointly controlled with a non-related Company by Granada UK Rental and Retail Limited

At 31 December 2007 there was an inter-company liability of £nil (2006 £nil) representing the net amount owed to UKCE, which has been included within creditors

The Company had transactions during the year ended 31 December 2007 with BC Services (UK) Limited a wholly owned subsidiary of BC Holdings (UK) Limited. At 31 December 2007 there was an outstanding creditor of £594 (2006 £1,163). The Company made purchases during the year of £5,739 (2006 £20,126)

Notes (continued)

17 Pension scheme

The Company is a participating member of the ITV defined benefit pension scheme. The scheme's assets are held in separate trustee administered funds. Contributions are based on pension costs across the group as a whole.

The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, as permitted by FRS 17 'Retirement Benefits' the Company has accounted for contributions to the scheme as if it were a defined contribution scheme.

The most recently completed triennial actuarial valuations in respect of the schemes forming the largest section of the Group's main retirement benefits fund was performed by an independent actuary for the trustees of the scheme and was carried out as at 1 January 2005. The first triennial valuation of the merged scheme is due to be completed as at 1 January 2008 in respect of the largest section and was completed at 1 January 2007 in respect of other sections and in the interim the Group will monitor funding levels annually. The latest actuarial valuations have been updated for FRS 17 purposes to 31 December 2007 by a qualified independent actuary.

The Company's contributions for the year were £9,800 (2006 £9,742). In addition to normal funding the group made a further contribution of £33 million in 2007. The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme.

At 31 December 2007 the scheme had an FRS 17 deficit of £112 million.

Particulars of the actuarial valuations of the group schemes are contained in the financial statements of ITV plc which can be obtained from the address given in note 18.

18 Ultimate holding company

At 31 December 2007 the Company was a wholly owned directly held subsidiary of Granada UK Rental and Retail Limited, a company 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 200 Grays Inn Road, London WC1X 8HF.