



4 March 2004

Dear Shareholder,

Merger of Granada plc and Carlton Communications plc to form ITV plc

You may find the following information useful when preparing your tax return for 2003/2004.

1. Information for former Granada shareholders on the base cost of the Granada redeemable shares

We are not able to provide a valuation of the Granada redeemable shares as they were not listed on any exchange. Accordingly each individual shareholder should agree with their Inspector of Taxes the base cost of their Granada redeemable shares for the purposes of apportioning the base cost in their Granada ordinary shares.

ITV cannot provide advice and shareholders who are in any doubt as to their taxation position should consult their professional advisers before taking any action. However, the following may be useful in this respect.

The market value of the Granada ordinary shares on 29 January 2004 (the date of issue of the Granada redeemable shares) was **131.75p**. The Granada redeemable shares were issued on the basis of one for every 13.841 Granada ordinary shares previously held (rounded down to the nearest whole number) and were redeemed on 9 February 2004 at the nominal amount of £1.

If the market value of a Granada redeemable share was £1 on 29 January 2004 (which must be the maximum market value), then the proportion of base cost attributable to the Granada redeemable shares would be **5.1987%** as illustrated below (assuming no rounding down was required). An Inspector of Taxes may agree a market value lower than £1.

$$\begin{aligned} \text{base cost in Granada} &= \text{total base cost} \times \frac{\text{market value of Granada redeemable shares}}{\text{market value of total "new holding"}} \\ \text{redeemable shares} &= \text{total base cost} \times \frac{100}{100 + (131.75 \times 13.841)} \\ &= \text{total base cost} \times \mathbf{5.1987\%} \end{aligned}$$

Of course, slightly different percentages would apply if, as a result of rounding down, the proportion of Granada ordinary shares and Granada redeemable shares differed from that set out above.

ITV plc

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Registered Office: As above. Registered No: 4967001 England

2. Information for former Carlton shareholders on the base cost of ITV ordinary shares and ITV convertible shares

The following relates to the split in base cost between ITV ordinary shares and ITV convertible shares. However, this is not advice and shareholders who are in any doubt as to their taxation position should consult their professional advisers before taking any action.

Each former Carlton shareholder's base cost in his original Carlton ordinary shares should be split between the ITV ordinary shares and ITV convertible shares by reference to the market values of those ITV shares on 2 February 2004, the first day of trading.

The market value of each ITV ordinary share on 2 February 2004 was **144.522p**. The market value of each ITV convertible share on that date was **78.375p**.

On the merger, each Carlton shareholder received 1.9386 ITV ordinary shares and 0.1835 ITV convertible shares for each Carlton ordinary share, rounded down to the nearest whole number in each case. Assuming no rounding was necessary, the proportion of the original base cost which is attributable to the ITV convertible shares can be calculated as follows:

$$\begin{aligned}
 \text{base cost in ITV convertible shares} &= \text{total base cost} \times \frac{\text{market value of ITV convertible shares}}{\text{market value of total "new holding"}} \\
 &= \text{total base cost} \times \frac{0.1835 \times 78.375}{(1.9386 \times 144.522) + (0.1835 \times 78.375)} \\
 &= \text{total base cost} \times \mathbf{4.88\%}
 \end{aligned}$$

Of course, slightly different percentages would apply if, as a result of rounding down, the proportion of ITV ordinary shares and ITV convertible shares held as a result of the merger differed from that set out above. This is illustrated by the example below (note that for simplicity the example ignores the receipt of cash in respect of fractional entitlements).

Example

A shareholder has 1000 Carlton shares before the merger with a tax base cost of £2000. As a result of the merger he receives:

ITV ordinary shares:	1000 x 1.9386	=	1938	(rounded down from 1938.6)
ITV convertible shares:	1000 x 0.1835	=	183	(rounded down from 183.5)

base cost in ITV ordinary shares	=	total base cost	x	$\frac{\text{market value of ITV ordinary shares}}{\text{market value of total "new holding"}}$
	=	£2000	x	$\frac{1938 \times 144.522}{(1938 \times 144.522) + (183 \times 78.375)}$
	=	£1902.57		

base cost in ITV convertible shares	=	total base cost	x	$\frac{\text{market value of ITV convertible shares}}{\text{market value of total "new holding"}}$
	=	£2000	x	$\frac{(183 \times 78.375)}{(1938 \times 144.522) + (183 \times 78.375)}$
	=	£97.43		

Yours sincerely,



James Tibbitts
Company Secretary