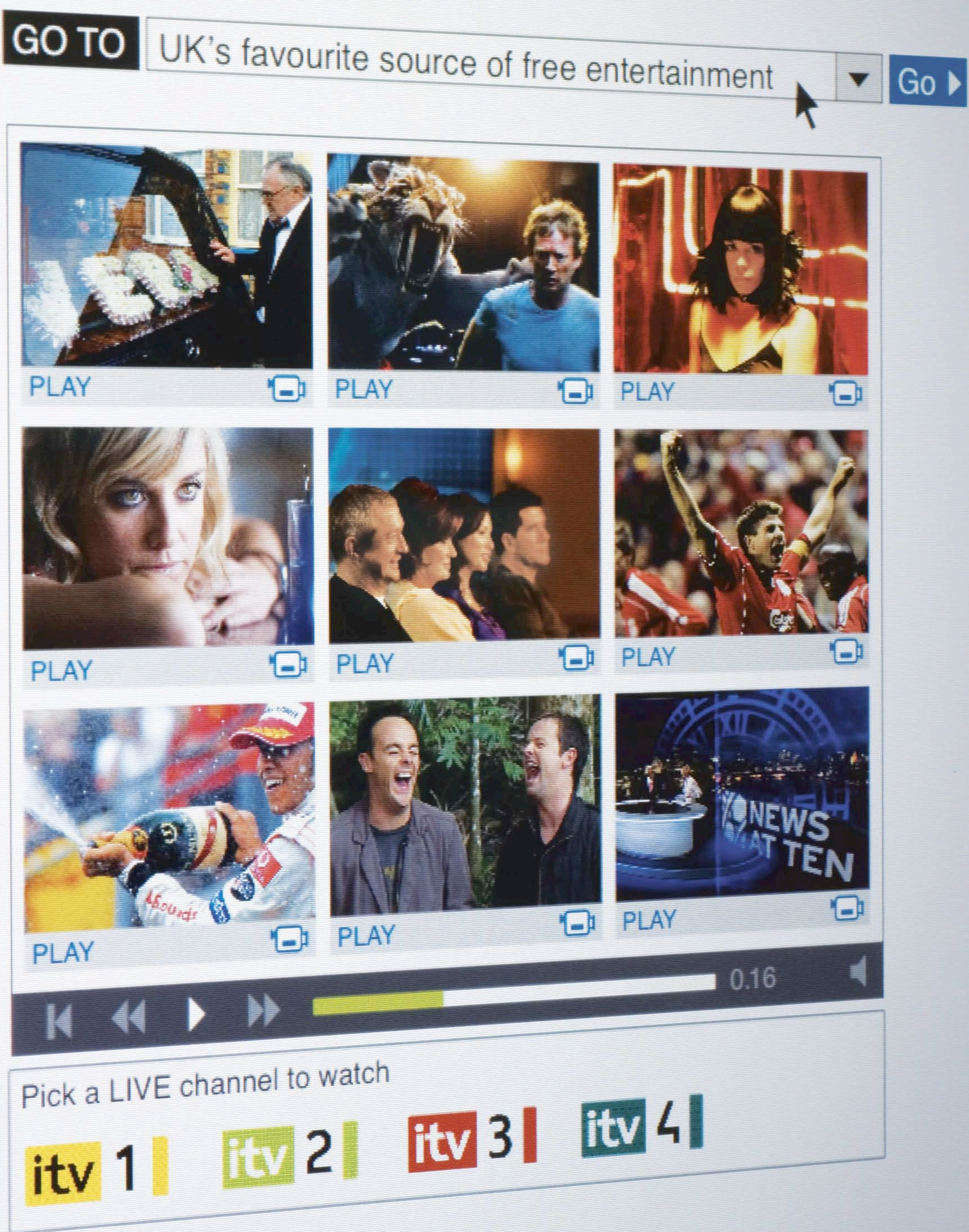
ITV plc Report and accounts 2007



Financial highlights

Revenue	Profit before tax	Earnings per share
£2,082m	£188m	3.5p
06 £2,181m	06 £288m	06 5.5p

Operating Profit	Cash generated from operations	Dividend per share
£192m	£286m	3.15p
06 £264m	06 £342m	06 3.15p

Contents

ITV's Business review

The Business review explains in detail how we have performed this year and sets out a fair review of the business, balanced and comprehensive analysis of our performance, the use of financial and non-financial key performance indicators to explain how much progress we have made, a description of the principal risks and uncertainties facing the Company, and an indication of likely future developments.

The Business review is prepared in line with the relevant provisions of the Companies Act 1985, and the transitional provisions of the Companies Act 2006. In preparing the Business Review the Company has had regard to the guidance issued by the Accounting Standards Board in its Reporting Statement on narrative reporting, and has met, wherever possible, the higher levels of disclosure required by the Companies Act 2006, to which the Company will become subject for the purposes of the report and accounts in 2008. It is intended that the Business review will provide shareholders with a greater understanding of the Company, of its position in the markets within which it operates, and of its prospects.

In setting out the Company's main risks and uncertainties, an indication of likely future developments, and in other content, this report and accounts contains statements which, by their nature, cannot be considered indications of likelihood or certainty. The statements are based on the knowledge and information available at the date of preparation of this Business review, and what are believed to be reasonable judgments. A wide range of factors may cause the actual outcomes and results to differ materially from those contained within, or implied by, these various forward-looking statements. Nor should any of these statements be construed as a profit forecast.

Message from the Executive Chairman Michael Grade

2007 was a watershed year for ITV plc. We put in place the strategy and the team to meet the challenges of the new digital era. With a much improved performance on-screen, we have countered the myth that ITV is a business managing decline. We have set out ambitious targets for our Global Content and Online businesses. Our focus now is on implementing the Turnaround strategy and delivering sustainable growth.

The transition to digital marks the start of a new era for ITV.

In November 2007 digital switchover in the UK started as the town of Whitehaven turned off its analogue signal. By 2012 the whole of the UK will have switched over to digital.

The transition to digital marks the start of a new era for ITV. For 25 years, ITV1 lost share to new services, for example Channel 4, five and Sky. The UK's leading commercial channel appeared locked into an inexorable cycle of decline, exacerbated by poor performance.

By the end of 2007, over 85% of UK homes had converted to digital. The multichannel fragmentation effect began to ease and ITV's performance improved. ITV1's audience started to stabilise and the channel enjoyed a number of programming successes – from enduring favourites like Coronation Street and I'm A Celebrity...Get Me Out of Here! to new hits, like Britain's Got Talent, Kingdom and Primeval. A "blue chip" roster of major sports included Champions League football, Formula 1 motor racing and the Rugby World Cup.

Structural changes to the schedule paid off with gains in daytime and over the summer. Over the full course of 2007, ITV1 actually delivered to its advertisers more viewers than it had the previous year, in terms of commercial impacts.

ITV Productions played its part, delivering half of the channel's original commissions – and more than half of its total impacts – with a slate extending from Emmerdale to Mobile, from Parkinson to Ant and Dec's Saturday Night Takeaway, from This Morning to Tonight with Trevor McDonald. ITV productions for both ITV1 and other broadcasters continued to win plaudits and prizes, with successes including The Queen, See No Evil, The Street and Longford. 75% of all programmes (excluding sport) on all UK channels delivering audiences over 10 million in 2007 were made by ITV Productions.

However, ITV Productions was not able to deliver revenue growth to match such on-screen successes, with drama for ITV1 and production for other UK channels both down compared to 2006. The new strategy and structure, together with personnel changes made towards the end of the year, are aimed at improving this performance in 2008.

ITV's digital channels came of age in 2007, generating in excess of £200 million of advertising and sponsorship revenues. itv.com completed its successful relaunch and now offers a state of the art broadband experience. In November, ITV announced a joint venture with BBC Worldwide and Channel 4 to provide a broadband service offering access to thousands of hours of archive programming from the UK's top broadcasters.

We are determined that ITV's strong on-screen performance in 2007 should mark the beginning of a revival in the Company's fortunes. To this end, during the year, we put in place the team and the strategy to deliver future growth.

The ITV Senior Executive team was considerably strengthened in 2007. In Global Content, we recruited Dawn Airey, latterly of Sky and five. Rupert Howell, a major figure from the advertising sector, joined us in the crucial post of Managing Director of ITV Brand and Commercial. Carolyn Fairbairn, formerly of the BBC and McKinsey, leads our strategy and development function. Entering 2008, we have confirmed that Peter Fincham, the controller of BBC1 until October 2007, will join ITV as Director of Television. In this role, Peter will replace Simon Shaps, who has performed a great job for ITV over many years and has been Director of Television since 2005.

ITV's clarity of purpose is evident in the Turnaround strategy that we set out in September 2007. Our vision is for ITV to be the UK's favourite source of free entertainment. We set a revenue target for the Company of 3-5% compound annual growth to 2010, rising to 5% to 2012. The Global Content business aims to double its annual revenues by 2012. Our broadcast channels aim to deliver a share of commercial impacts at or above 38.5% in 2012. We also plan to deliver £150 million of Online annual revenues by 2010.

Our plan will be self-funding. We have continued with the programme of disposing of non-core businesses, which has now raised over £600 million since merger. During 2007, we disposed of our stakes in Liverpool FC, Arsenal FC, MUTV and ITFC. Such disposals will fund acquisitions which are consistent with our content-led growth plan. During the year, we took a majority stake in US producer Jaffe/Braunstein Entertainment, a 25% stake in new producer Mammoth and acquired UK independent producer 12 Yard.

Our Turnaround strategy is not founded on any assumptions of regulatory relief. However significant regulatory relaxation is overdue in commercial public service broadcasting (PSB). Ahead of the launch of the Ofcom PSB review, ITV set out its detailed plans for modernising regional news. We recognise that these will have implications in terms of regional staffing, but we believe that it is right to be open about our plans and their rationale. Our plans would ensure that every home in the country retains access to a high-quality ITV regional news service from 2009, whilst maximising investment in original network programming, where the core public interest lies.

It should be remembered that terrestrial television has always faced limitations in delivering at the sub-regional and local levels with multiple unresolved boundary issues stretching back over decades. Broadband delivery faces no such technical limitations and puts regional choice with the viewer, rather than the broadcaster. itvlocal.com was rolled out across all our regions during 2007, supplementing our on-air regional coverage and allowing us to target local classified and display advertising, a new market for ITV.

In other areas, regulatory reform remains imperative. In September 2007, the OFT confirmed its intention to review the Contract Rights Renewal ("CRR") mechanism which has applied to the sale of ITV1 advertising since 2003.

I am confident that the business is in better shape going into 2008.

Our improved on-screen performance in 2007 has mitigated the worst effects of CRR.

But in a rapidly changing market, ITV still remains unduly restricted: ITV now faces competitors who didn't even exist in 2003. We look forward to participating in the review process over the coming year.

2007 was also a year when trust in broadcasting came to the fore. All the major UK broadcasters faced issues over their operation of premium rate services (PRS) and allegations of misleading viewers. ITV acted swiftly when problems started to emerge, suspending all our PRS activities until systems were independently assessed by Deloitte & Touche LLP ("Deloitte"). We commissioned Deloitte to undertake a review going back over two years. Where problems have been established, we have made full disclosure, offered full recompense to viewers and improved our systems. We have committed to donating in full to charity any viewer refunds that are not claimed.

ITV is also co-operating fully with Ofcom's inquiry into the PRS incidents on ITV channels and we await the outcome of their adjudication. GMTV, which is 75% owned by ITV, faced serious PRS issues of its own in 2007 relating to the conduct of its on-screen competitions and received a substantial fine from the regulator.

Such incidents for the most part appeared to stem from misguided editorial judgments taken with a view to maximising viewer enjoyment, not from any desire to maximise PRS revenues. Nonetheless we let our viewers down and that is inexcusable. We are determined to restore public trust in ITV and UK broadcasting as a whole. The Remuneration Committee of the Board has taken account of PRS issues in calculating annual bonuses awarded to the executive team.

I am confident that the business is in better shape going into 2008. The launch of the new ITV1 schedule shows our commitment to innovation. We have launched a succession of ambitious dramas, from Honest to the genre-busting Moving Wallpaper/Echo Beach. We have brought News at Ten back to ITV1. The weekend schedule is underpinned by great entertainment, from Dancing on Ice to Harry Hill's TV Burp. As the year progresses, football fans will have Euro 2008 and England's home games to enjoy on ITV, as well as the Champions League.

Our valuable production business needs to grow and deliver programmes for ITV, other UK broadcasters and the international market. We have the considerable advantage of being an integrated producer/broadcaster. Our emphasis needs to shift from producing linear programmes for one-off transmission on a single channel to "360 degree" exploitation of the lifetime value of our content, across multiple platforms and territories. We will also be investing for the future: in monetising itv.com; in building on the success of ITV2; and in rolling out an HD service as part of our Freesat project with the BBC.

BSkyB's acquisition of a 17.9% stake in ITV plc was subject to a Competition Commission review in 2007. In January 2008, the Secretary of State confirmed that BSkyB would be required to reduce its stake to below 7.5%, although the decision is being appealed. The Board will continue to act in the best interest of all shareholders.

The Board has reviewed the level of the final dividend in light of the performance of the Company over the course of 2007, current trading conditions and the outlook going forward. In 2007, ITV plc NAR fell by 0.3% on the previous year with strong growth in ITV digital channels offsetting a decline in ITV1 revenues. In the first quarter of 2008, ITV plc NAR is expected to be up around 1.9%, growing ahead of the total market.

In the light of this trading context and the Company's stated policy of building back to 2 to 2.5 times dividend cover in the medium term, the Board proposes that the final dividend for the year should be held at 1.8 pence per share to be paid on 1 July 2008 to shareholders on the register on 18 April 2008.

In February 2007 Sir James Crosby was appointed senior independent director and Chairman of the Nomination Committee. Agnès Touraine and Heather Killen joined the Board in August 2007 and John Ormerod in January 2008. Sir Robert Phillis resigned from the Board in 2007 and John McGrath in early 2008. The Board is grateful to Bob and John for their significant contribution to ITV plc over the last few years.

In February 2008, Dawn Airey and Rupert Howell were appointed directors, providing strengthened executive representation at board level. We confirmed our intention to appoint a dedicated Finance Director, freeing up John Cresswell to focus on his responsibilities as Chief Operating Officer. The Board has also extended my appointment as Executive Chairman to the end of 2010. All of my contractual terms – including the terms and period of the Turnaround Incentive Award – remain unchanged. The decision provides my management team and I with the space to focus on the job to be done over the next crucial years, without distraction.

ITV made measurable progress over the course of 2007. The operational performance in the year was better than it has been for some time. We have also started to lay the foundation for sustainable growth in the future. I would like to thank all of my colleagues at ITV for their considerable effort, dedication and creativity in serving the needs of our viewers, advertisers and shareholders.

Michael Grade
Executive Chairman

Who we are...

ITV is one of the UK's most long-established television companies and best-known media brands

The Company's roots are in the ITV regional broadcasting franchises first awarded over 50 years ago and ITV1 remains the UK's largest commercial channel in audience share terms by some margin. But ITV today is much more than a single channel.

ITV is the UK's largest advertising funded broadcaster. Indeed ITV is the largest advertising funded media owner in the UK across all media: television, radio, press, cinema, outdoor and the internet. As a producer, ITV makes more hours of network television than any other UK commercial producer. With the digital transformation of the media sector, ITV is developing new businesses across different platforms and media. And ITV is one of the largest employers in the UK media sector with over 5,000 staff.

In 2007, ITV strengthened its senior executive team (see below) and, following a major strategic review, restructured into three business segments: Broadcasting, Global Content and Online.

Michael Grade
Executive Chairman

Rupert Howell
Managing Director of ITV Brand and Commercial

John Cresswell
Chief Operating Officer and Finance Director

Dawn Airey
Managing Director of Global Content

Jeff Henry
Managing Director of ITV Consumer

John Whiston
Director of ITV Productions

Simon Shaps
Director of Television

Carolyn Fairbairn
Director of Strategy and Development








and what we are doing

Entertaining the UK through...

...Broadcasting

ITV1 is the largest commercial television channel in the UK in terms of audience share and advertising revenues. ITV's digital channels, including ITV2, ITV3, ITV4 and Citv, generated over £200 million in advertising revenues in 2007. ITV's broadcast channels offer advertisers a brand-building opportunity of unique power and effectiveness.

Commercial target:
To ensure that 38.5% or more of adverts watched on UK TV in 2012 are on ITV channels.

...Global Content

Around half of ITV1 commissions in 2007 were made by ITV Productions. ITV also makes programmes for the BBC, Channel 4, five, Sky and other UK broadcasters. ITV produces programmes watched on screens from San Francisco to Sydney. And a range of products related to ITV programmes, from DVDs to computer games are marketed around the world.

Commercial target:
To double annual Global Content revenues by 2012, increasing ITV, other UK and international sales.

...Online

As consumers spend more time – and advertisers more money – online, ITV is taking full commercial advantage through its unique roster of online properties. With itv.com, itvlocal.com, Friends Reunited and new broadband services, ITV is well-positioned to leverage two key assets – ITV programming and channels; and its relationship with audiences and advertisers.

Commercial target:
To deliver £150 million in annual Online revenues by 2010.

Return to top-line growth:

3–5% compound annual growth in revenues to 2010

5% plus revenue growth from 2010 to 2012

Action Plan **Broadcasting**

↑
Moving Wallpaper
took viewers behind the scenes with Ben Miller as TV producer Jonathan Pope.

↓
Echo Beach
was the soap he made earlier, completing a ground-breaking TV pairing.

Investment and innovation two sides of the same story

ITV invests £1 billion a year to bring UK viewers world-class programmes free of charge, funding more UK production than every other commercial channel combined. That investment provides advertisers with a fantastic platform to reach consumers. More than four out of ten television advertisements watched in the UK are broadcast on ITV channels.

But investment is only half the story. Audiences and advertisers expect more from ITV. The key to delivering sustainable growth is innovation.

Formula 1
with Lewis Hamilton's debut season was a highlight in an action-packed year of sport on ITV1.

We are making sure that ITV offers something for everyone

ITV1 is the UK's leading commercial channel attracting around 18% of the total television audience. ITV1 broadcasts the most popular programmes on commercial television, including Coronation Street, Kingdom, Emmerdale, News at Ten, This Morning, I'm A Celebrity, The X Factor, Champions League football and Formula 1. ITV's digital channels – ITV2, ITV3, ITV4, Citv and Men & Motors – generated more than £200 million in advertising revenue in 2007 and included two of the UK's top three commercial digital channels.

ITV's £1 billion investment in programming funds original commissions from in-house, external and independent producers, plus programmes acquired from distributors and US studios, or through negotiation with sporting bodies and other rights holders.

In 2007, ITV channels generated nearly £1.5 billion in advertising revenues. As well as national advertising, ITV is uniquely able to offer companies the opportunity to advertise on television at a regional or local level.

ITV also offers advertisers the opportunity to sponsor or directly fund programming consistent with regulatory rules. Programming on ITV channels also generates revenue through viewer competitions and voting delivered via PRS.

ITV channels are broadcast on all the major broadcast platforms, including DTT, cable and satellite. ITV is a shareholder in Freeview and, with the BBC, plans to launch a Freesat service including a high definition ITV offering. Via SDN, ITV also holds a multiplex licence, leasing out DTT spectrum to other broadcasters.

ITV holds a 75% stake in GMTV, the Channel 3 breakfast time licensee; a 40% stake in ITN, the national news provider for ITV and Channel 4; and a 5.6% interest in SMG plc, which holds the two regional Channel 3 licences in Scotland.

↓
News at Ten
returned to ITV1 featuring Mark Austin, Julie Etchingham and, of course Sir Trevor McDonald.

↓
Harry Hill's TV Burp
now in its seventh series peaked with 7 million viewers.

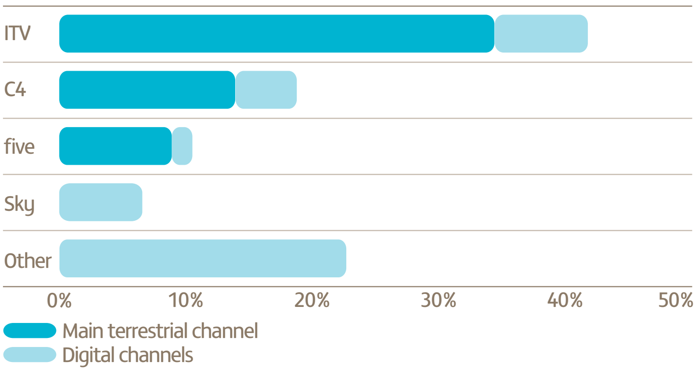
Objectives

- Deliver ITV family SOCI above 38.5% in 2012
- Invest in ITV2 to become No. 3 commercial channel for 16–34s

Actions

- New ITV1 2008 peak-time strategy
- Keep programme costs in check
- Aim to secure new ITV1 PSB settlement
- Work to replace CRR
- Secure greater share of marketing budgets
- Future-proof Freeview; launch Freesat
- Launch ITV HD service in 2008

Share of commercial impacts, 2007



Source: BARB/Infosys, Adult SOCI
Sky includes all channels sold by Sky sales house

290

ITV1 broadcast the 290 top rated programmes on commercial TV in 2007

Action Plan **Global Content**

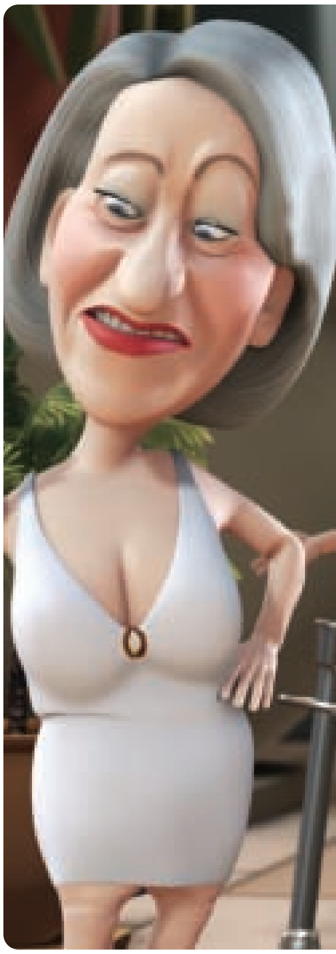
↑
Ich Bin Ein Star
the German version of I'm A Celebrity, ran for a third series in early 2008 on RTL and peaked with a 36.4% share.

Entertaining in any language

From Coronation Street to The Street, from Countdown to Dancing on Ice, from Tonight to This Morning, ITV Productions set the bar for ratings and quality.

The value of that content is deepening with opportunities for secondary exploitation from distribution to DVD sales and merchandising. And it is widening as content becomes an international business. Great formats like I'm A Celebrity are hits across the world. Content is global.

Dancing On Ice won an audience of nearly 9 million viewers on ITV1 and is becoming a global hit.



We are maximising global exploitation of content

Global Content is ITV's content division bringing together all of ITV's UK and international production and distribution businesses.

ITV Productions is one of Europe's leading commercial production companies producing more than 3,000 hours of original programming each year. ITV-produced programmes include some of the most popular shows on UK television, such as Coronation Street, Emmerdale, I'm a Celebrity and Dancing On Ice. ITV also produces programming for other channels such as The Street for the BBC, Brainiac for Sky and Countdown for Channel 4.

ITV Productions is a significant producer across a wide range of programme genres, including drama, soaps, entertainment, factual, daytime, arts, current affairs, quiz and game shows.

ITV Worldwide consists of Granada International, Granada Ventures and international production companies in America, Germany and Australia. Granada International sells programming from ITV Productions and many other independent producers worldwide. Granada Ventures is a major distributor of DVD entertainment in the UK and exploits merchandising and licensing in the UK and worldwide from both ITV-produced programmes and other rights owners. ITV has had considerable success in producing local versions of ITV and other UK programmes, including Hell's Kitchen in the US, Dancing On Ice in Australia, and local versions of I'm A Celebrity and Come Dine with Me in Germany.

In 2007 ITV took a 25% equity holding in independent producer Mammoth, a controlling 51% stake in US production company Jaffe/Braunstein Entertainment and acquired entertainment quiz format producer 12 Yard.

↓
Headcases (working title) cutting edge comedy new to ITV1 in 2008.

↓
The Royal Today launched in the ITV1 daytime schedule in early 2008.

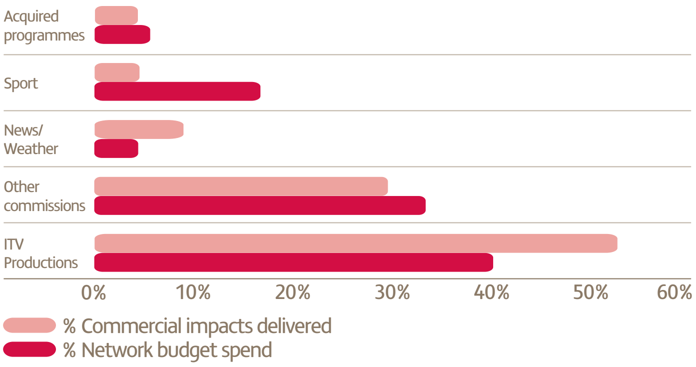
Objectives

- **Double Global Content annual revenues by 2012**
- **Compete for a greater share of ITV1 commissions**

Actions

- **New Global Content division**
- **Focus on high value genres**
- **Development spend up by 50%**
- **New talent strategy**
- **International expansion**
- **Targeted acquisitions**

ITV1 Network programme spend vs. Commercial impact delivery

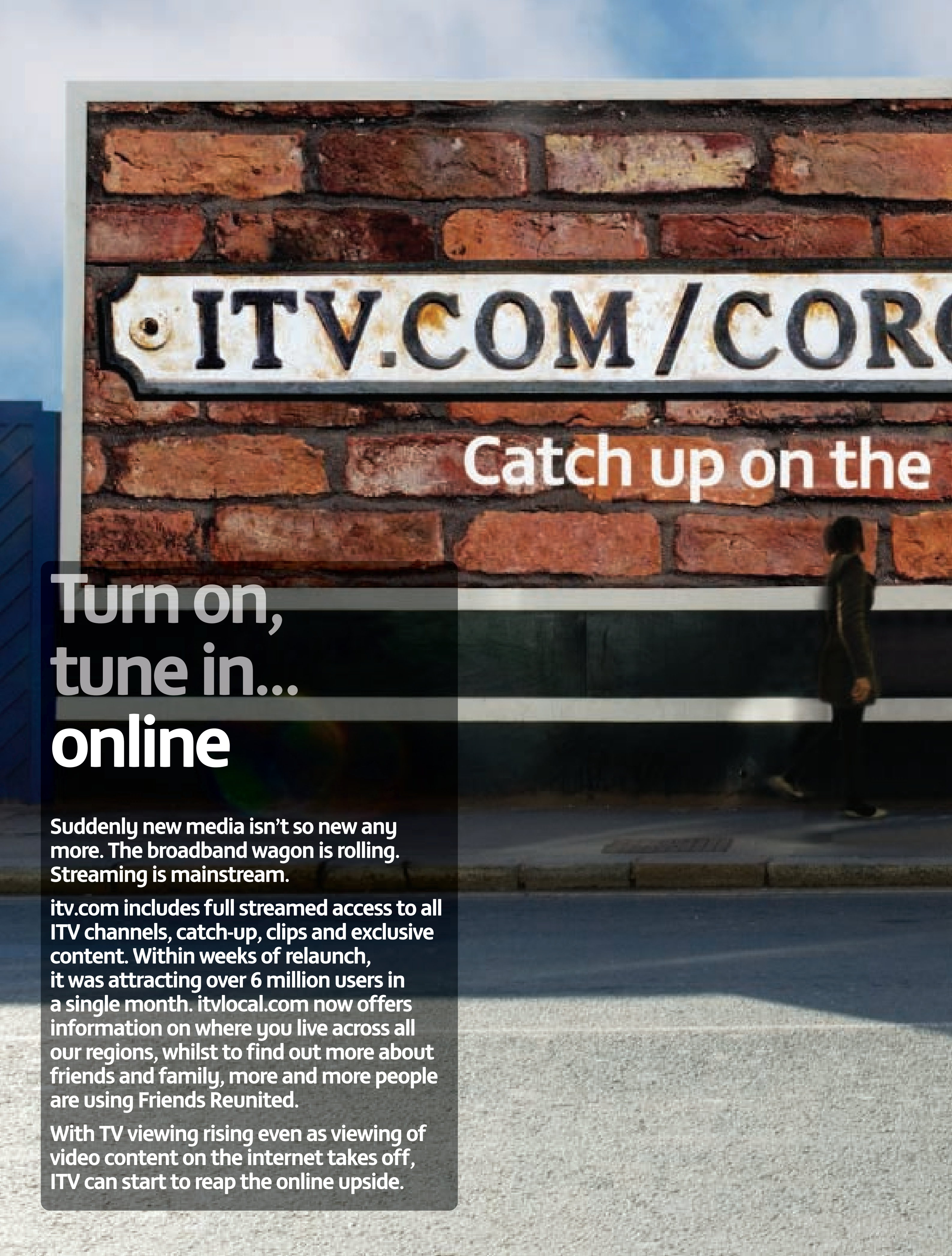


Source: BARB/ITV

75%

of all programmes (excluding Sport) on all UK channels achieving audiences over 10 million were made by ITV Productions

Action Plan **Online**



Turn on, tune in... **online**

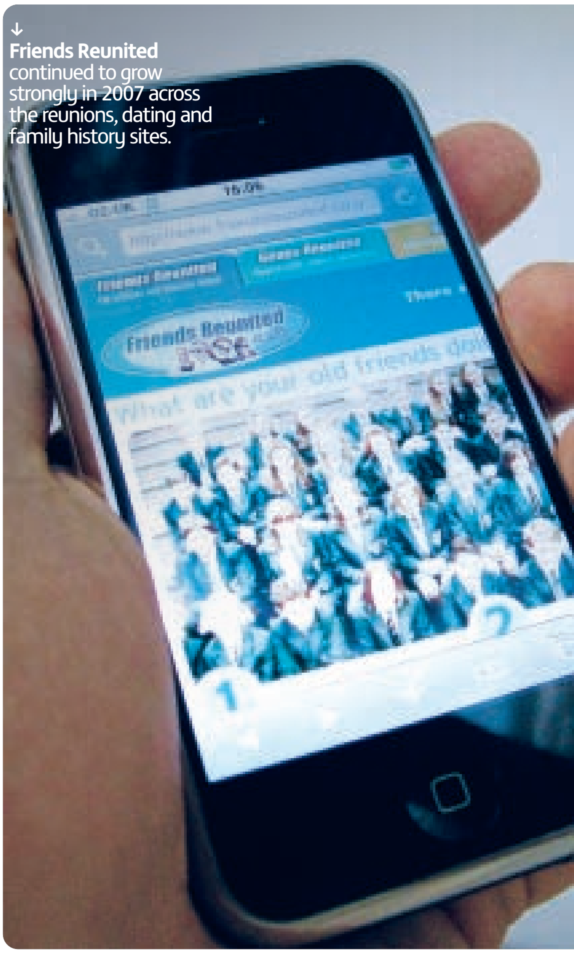
Suddenly new media isn't so new any more. The broadband wagon is rolling. Streaming is mainstream.

itv.com includes full streamed access to all ITV channels, catch-up, clips and exclusive content. Within weeks of relaunch, it was attracting over 6 million users in a single month. itvlocal.com now offers information on where you live across all our regions, whilst to find out more about friends and family, more and more people are using Friends Reunited.

With TV viewing rising even as viewing of video content on the internet takes off, ITV can start to reap the online upside.


ONATION ST.
last 30 days online

itvlocal.com rolled out across all ITV regions in 2007.



Friends Reunited continued to grow strongly in 2007 across the reunions, dating and family history sites.

As audiences move online, we will move with them

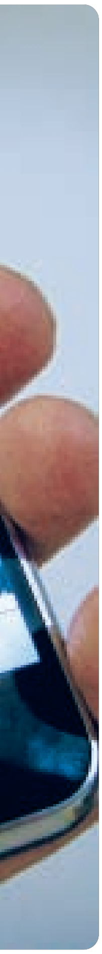
ITV's online operations include itv.com, itvlocal.com, Friends Reunited, ITV's new broadband joint venture and mobile services.

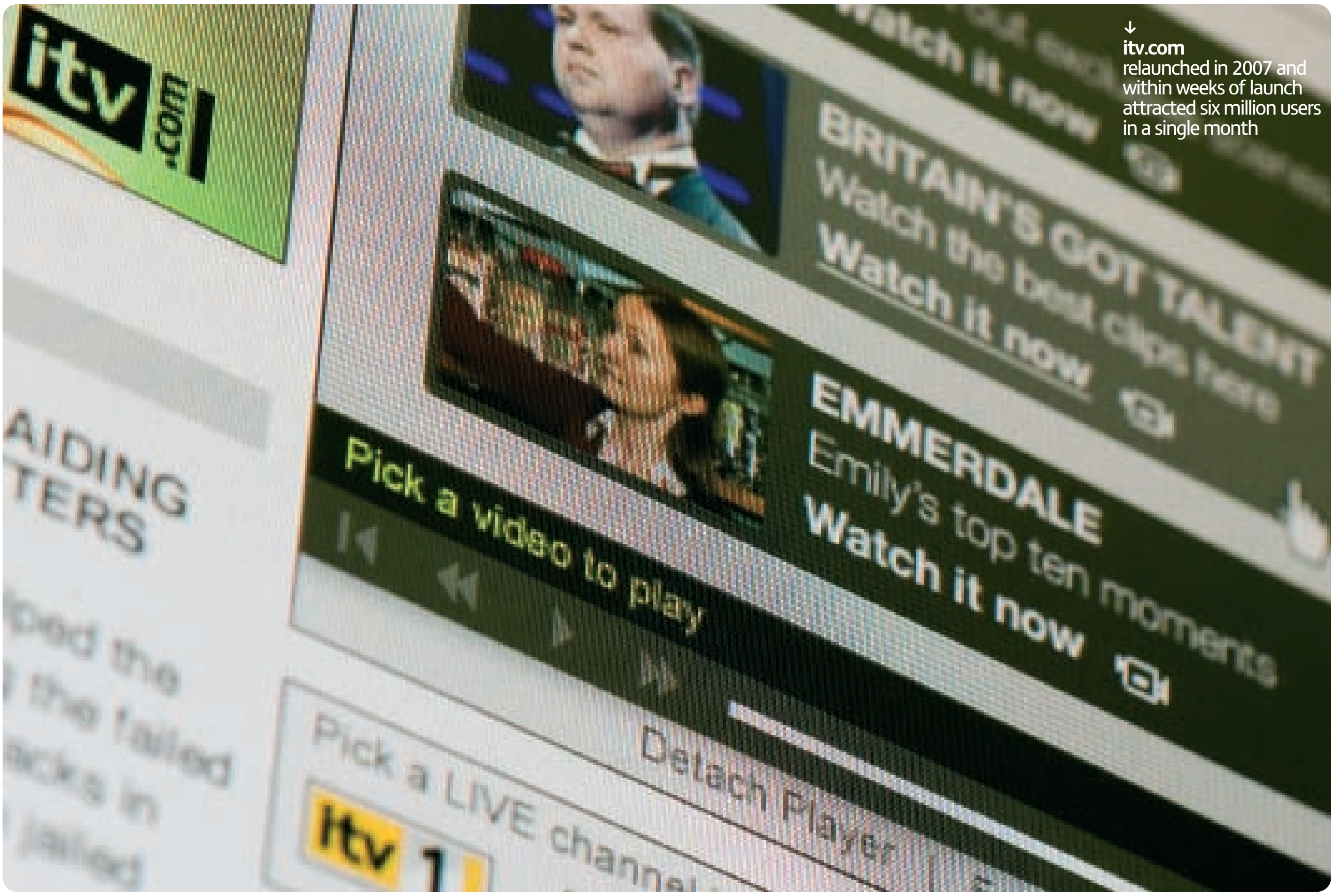
itv.com was relaunched in 2007 and offers ITV channels streamed online, plus access to further ITV programming, clips and exclusive content. itvlocal.com offers local information, news and services, mirroring the regional services offered by ITV1 onscreen. In 2007, itvlocal.com completed its roll out across all ITV regions. Both itv.com and itvlocal.com are primarily funded by online advertising.

Friends Reunited is a well-established and profitable group of sites offering reunion, family history and dating services, funded by subscription, transactional and advertising revenues. The reunion site has plans during the course of 2008 to migrate towards a "social networking" model with a greater emphasis on advertiser funding.

In 2007 ITV announced a joint venture with the BBC and Channel 4, seeking to offer online access to archive programming from the UK's leading broadcasters. The service is due to launch during the course of 2008.

Mobile consists of our dedicated mobile portal with exclusive content and news, and the team also manage agreements with 3, Orange and Vodafone to broadcast a simulcast version of ITV1 to the operators' 3G subscribers.





↓
itv.com
relaunched in 2007 and within weeks of launch attracted six million users in a single month

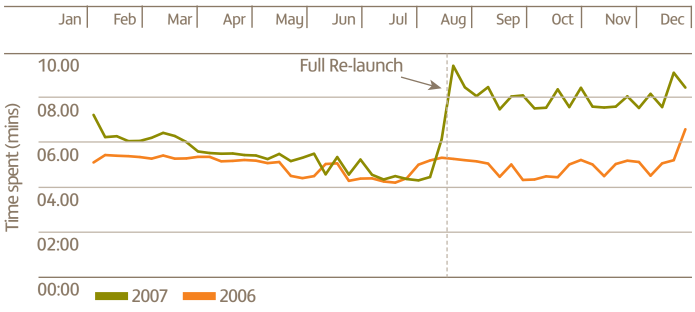
Objectives

- **Deliver £150 million in Online annual revenues by 2010**
- **Make itv.com a top-10 UK entertainment site by 2010**

Actions

- **Increase viewing of ITV on-demand content**
- **Build sites around key programme brands and communities**
- **Deliver excellence in online ad sales**
- **Develop new online businesses**

itv.com average visit duration 2007 versus 2006



Source: Webtrends, Omniture

19m

people have registered with Friends Reunited

Business review

ITV is the UK's leading commercial producer broadcaster. ITV broadcasts more high rating programmes than all its commercial competitors put together. ITV produces more programmes – for ITV channels and for other UK broadcasters – than any other commercial producer in the UK. As an international distributor and producer, ITV has ambitious plans for growth. And ITV is establishing a presence of real critical mass in new digital and online markets.

We need to continue to raise our game in all these areas as we are operating in ever more complex and competitive markets.

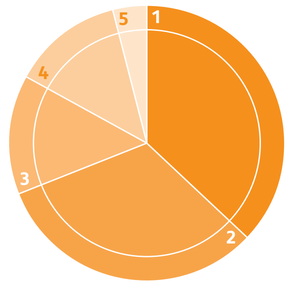
John Cresswell
Chief Operating Officer
and Finance Director

Market context

ITV is a television company, but competes in a wider market for content delivered across a number of media platforms and drawing upon multiple sources of funding.

UK television platforms take up September 2007 (% of UK homes)

1 DTT	**37%**
2 Sky	**32%**
3 Analogue Terrestrial	**14%**
4 Cable	**13%**
5 Freesat	**4%**



Source: Ofcom

Until relatively recently, programmes could only be delivered on a single medium – television – and, indeed, through a single platform – analogue terrestrial. Today, over 85% of UK homes view television programmes via digital platforms: digital terrestrial television ("DTT"), digital satellite and digital cable. That same content may be delivered via, or repackaged for, the internet, for mobile phones and other handheld devices, or downloaded to television set-top boxes or computer hard drives.

It is a similar picture in terms of revenues. For many years in the UK market, the BBC provided competition for audiences, but ITV faced no competition for commercial television revenue. Today ITV competes with hundreds of channels, platforms and new media companies funded by advertising, subscription, transactional revenues or a combination of all three. With increasing competition comes increasing opportunity as commercial broadcasters, once solely funded by network advertising, are able to exploit new sources of revenue and consumer demand.

The common thread running across this market – and crucial to any company's ability to compete successfully – is content. However long-established the media company and however glittering its broadcasting heritage, sustained success will rely upon a continuing ability to create and control high-quality content valued by advertisers, by viewers and by consumers.

Broadcasting

There are currently over 200 channels broadcasting to UK viewers. The main channels are funded by three major sources of revenue: the BBC licence fee, advertising and subscription. UK subscription revenues now exceed £4 billion per annum; total television advertising revenues in the UK in 2007 were around £3.4 billion; with the portion of the BBC licence fee dedicated to television around £2.2 billion.

Free-to-air broadcasters – the BBC and advertising funded channels – together retain a very significant share of total UK television viewing. In 2007, the BBC, ITV, Channel 4 and five, together with their associated digital channels, secured around 75% of total viewing.

Notwithstanding increasing competition for attention, volumes of television viewing remain remarkably stable in the UK. In 2007, the average UK adult watched nearly four hours of television per day, showing very little change on the level recorded a decade ago.

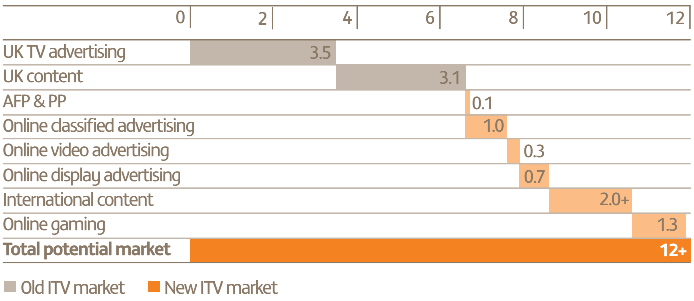
Although overall levels of viewing remain stable, commercial viewing has increased as the BBC has lost share to commercial channels. There were around 2.3 billion impacts – viewings of TV advertisements – each day in 2007 in the UK, an average of 40 adverts per day per person. The increase in the volume of impacts means that the cost of television advertising has reduced. In real terms, UK television advertising costs no more today than it did in the 1980s.

Television advertising remains the UK's major "brand building" display advertising medium with over 40% of the total display market. Following a decline in television advertising revenues in 2006, the market returned to growth in 2007. Total television advertising revenues grew around 3% in 2007, with strong growth in the second half of the year offsetting a relatively weak first half.

With audiences fragmenting, only a small handful of broadcasters continue to deliver significant shares. A "long-tail" of hundreds of channels account for a large and growing share in aggregate, but each deliver relatively small audiences. Experience in the UK and other markets has been that advertisers will pay a premium to advertise on those channels still delivering a critical mass of viewers and rapid coverage of their target audience. However over recent years a number of commentators believe that the UK market has been distorted by the presence of the Contract Rights Renewal mechanism (discussed on page 21).

The driver of viewing fragmentation has been the transition to a multichannel, multiplatform digital environment. The Freeview platform in particular has continued to grow rapidly and in 2007 overtook Sky as the largest digital platform. Over 9 million homes now use Freeview on their main set, compared to 8 million digital satellite homes. Digital cable remains fairly flat at around 3 million homes. Freeview is also becoming more and more common on second and third sets. Freeview is the digital platform on which the established free to air broadcasters – including ITV – perform most strongly.

New market opportunities, 2010
(£bn)



Source: ITV estimates; O&O; Jupiter; Enders; IAB/PwC; McKinsey; Datamonitor; ZenithOptimedia; GBGC; Ofcom
AFP: Advertising funded programming
PP: Product placement

The minority – around 15% – of UK homes which remain analogue-only will convert to digital reception over the next five years as the analogue terrestrial transmission network is fully upgraded to DTT. In November 2007 this switchover process reached a critical milestone with the town of Whitehaven becoming the first place in the UK to switch fully to digital.

In 2008 the availability of free-to-air digital television will be extended with the launch of Freesat from the BBC and ITV. Freesat is likely to be particularly attractive to households who cannot receive DTT pre-switchover and will incorporate a free-to-air high definition ("HD") offering from the BBC and ITV. The BBC, ITV, Channel 4 and five have also announced a plan to bring free-to-air HD channels to the Freeview platform over time.

Global Content

UK television channels invest around £4.8 billion in content. The BBC remains the largest funder of UK television programming, representing some 45% of total investment. ITV's investment in programming is around £1 billion, around 30% of the market total. There is then a significant drop to the third largest investor, Channel 4 with a contribution of around 15%, with five coming in at under 5%.

Ofcom estimated in 2006 that over 90% of investment in originated network production in the UK was undertaken by the four main public service broadcasters: the BBC, ITV, Channel 4 and five. Subscription funded platforms and channels have focused their investment in content on sports, US movies and acquired programming, rather than original UK production.

A large proportion of commissioned programmes at both the BBC and ITV are made in-house. However, both are also significant commissioners from external producers: between them the BBC and ITV invest more in independent production than all other UK broadcasters put together. Going forward, the BBC has pledged to increase opportunities for external producers, reducing guaranteed in-house production to 50% of commissions. Channel 4 is prevented by statute from producing programmes in-house. five relies on external production, but commissions some programmes from the producer Fremantle which is also part of the RTL Group.

The UK production sector has seen considerable growth and corporate activity in recent years as regulatory changes have enabled producers to retain control of rights which previously rested with broadcasters. Although primary commissions still represent the lion's share of producers' revenues, there has been significant growth in secondary television and ancillary rights revenues. Having historically been fragmented, there has been consolidation of ownership in the production sector, with the creation of so-called "super-indies" such as All3Media and Shine.

The production market has become increasingly global. Producers such as Endemol and Fremantle include production companies across multiple countries. Following the success of programmes such as Who Wants to be a Millionaire and American Idol, the US market has become more open to formats with a proven track record in other territories, with major networks commissioning programmes from international producers, rather than simply acquiring format rights. For major UK producers, international revenues now comprise sales of completed programmes, DVD and video sales, plus overseas licensing of programme formats and production fees. The most recent Government survey of UK television exports indicated a growth of around 20% in 2006 alone.

Online

Beyond television, over half of all UK households now have broadband internet access. Broadband speeds have also continued to rise. By June 2007, Ofcom reported average broadband connection speeds across the UK of around 4.6Mbits per second, with headline speeds expected to rise further over coming years.

Increased broadband penetration and speeds are changing the nature of online content. Alongside text-based content, online users are increasingly seeking out more sophisticated video content, from clips to full-length programming and movies. Piracy and distribution of unlicensed content remain significant issues. However, with digital rights management solutions emerging, established media rights holders are seeking ways of making their content available for legal access online. A mixed ecology of online platforms carrying content syndicated from a variety of sources (such as iTunes, YouTube and Joost) and rights holders' own sites offering exclusive content (such as itv.com or the BBC iplayer) has started to emerge.

The key to success in the digital environment will be the ability to create and control high quality content.

Parallel changes are evident in internet funding. Internet advertising continued to grow strongly in 2007. Much of that growth remains in "search" advertising, which is akin to classified advertising off-line. However, internet display advertising also grew rapidly in 2007, increasing by an estimated 30% and taking its share of the display advertising market to 6.2% (2006: 4.9%). Video advertising remains a small fraction of online display advertising, but is expected to grow rapidly as the volume of high quality video material online rises.

As revenues grow and online advertising sales techniques improve, established media companies are shifting to online advertising as a primary means of funding online content distribution. For example, US broadcasters originally launching paid-for download sites have now started to make available broadcast content online on an advertising-funded basis.

Mobile phone penetration has continued to rise. There are now more UK households with mobiles than fixed lines. A number of mobile phone operators are making broadcast and video content available, via full broadcast simulcast for mobile phones, clip and exclusive content services. Auction of spectrum in the UK over the next two years may allow the development of mobile television broadcasting for the first time.

For viewers and for advertisers, it is increasingly evident that such new platforms and new media will be complements for commercial television, rather than full substitutes. Rapid penetration of such new platforms provides opportunities for established media companies to develop new revenue streams, building off the strength of their core broadcast content. Again, the key to success in the digital environment will be the ability to create and control high quality content.

Regulation

Audio-visual media – and in particular television – remain tightly regulated in the UK. All UK television channels must be licensed by the regulator, Ofcom, and abide by its Broadcasting Code. This code applies also to the conduct of premium rate services and competitions, which were subject to a high level of regulatory and public scrutiny over the course of 2007, as set out elsewhere in this report.

PSBs, including ITV1, are subject to additional tiers of content regulation, including production quotas for independent, regional and original production. The PSBs are also subject to additional quotas for particular genres of programming, such as news, current affairs, and – in the case of ITV1 – regional programming. Finally, the PSBs are required to take into account the opinion of the regulator in the preparation of a statement of programme policy each year.

Ofcom is currently undertaking its second review of public service broadcasting. Following its first review, there were significant changes to ITV1's programme requirements, including a reduction in regional non-news programming.

The volume and nature of television advertising are also regulated, with the commercial public service broadcasters again subject to tighter restrictions than other channels. In December 2007, the Audio Visual Media Services Directive was confirmed by the European Commission and is likely to lead to changes in UK rules for the placement and duration of advertising breaks. The directive also permits product placement in certain programme categories at the discretion of member states. Ofcom has set out a timetable for consideration of these matters over 2008/9.

Media ownership restrictions continue to apply to the UK television sector over and above the standard competition regime. Following the acquisition in November 2006 of 17.9% of the shares in ITV plc by British Sky Broadcasting plc ("BSkyB"), the Secretary of State for Business Enterprise and Regulatory Reform referred the acquisition to the Competition Commission on competition and public interest grounds. The Secretary of State confirmed in January 2008 that BSkyB would be required to reduce its holding to no more than 7.5%. However, this decision is currently being appealed.

As a condition of the approval of the merger between Carlton and Granada to form ITV plc in 2003, undertakings were given including the Contract Rights Renewal (CRR) regime applying to the sale of advertising on ITV1. CRR provides ITV1 customers with the option of renewing the previous year's contract on the same terms (including discounts), but with their commitment to ITV1 (in terms of a share of their total spend on UK television advertising) reduced in line with any reduction in ITV1's share of commercial impacts (SOCI) in the previous year.

The OFT opened a review of CRR in January 2008 following an application from ITV. The review is being conducted in partnership with Ofcom and is expected to conclude in 2009. Any change to CRR is unlikely to come into effect until contracts for 2010 are negotiated (in late 2009).

Strategy

In 2007 we announced our five year strategy to take us to full digital switchover in 2012. It is a strategy which will position ITV to take full advantage of the developments shaping our industry, across Broadcasting, Global Content and Online.

Our vision is for ITV to be the UK's favourite source of free entertainment, building on our heritage of providing high-quality, ad-funded UK programming.

ITV will return to growth, with an over-arching target for the business as a whole to deliver compound annual revenue growth of 3%–5% to 2010 rising to 5% to 2012. With increased revenues feeding through to our earnings, we will aim to return dividend cover to 2 times to 2.5 times in the medium term and to retain our investment grade rating.

The strategy is based on self-help, not regulatory assistance. It is self funding, with any new investment paid for out of efficiency gains, regional savings and the proceeds of continuing disposals. Following investment for growth in 2008, the benefits of which should start to be reaped in 2009 earnings, the full growth plan will be in action in 2010.

Each of our major business segments has clear targets and an action plan for growth.

Strong broadcast channels

For Broadcasting, our key objective is to remain the country's leading commercial channel provider so that, in 2012, we plan to be delivering at least a 38.5% share of commercial impacts across our channels. We will stabilise ITV1's performance and build on the success of ITV2, seeking to turn it into the UK's third largest commercial channel for 16–34 year olds.

The following initiatives will assist us in delivering these targets:

- The launch of a new ITV1 peak time schedule. In early 2008, ITV1 underwent its most significant transformation in a decade, in terms of schedule structure and new programming across the full range of genres;
- Keep programme costs in check. ITV has relaunched its schedule whilst working within an ongoing commitment to ensure the programme budget does not increase in real terms;
- Invest in ITV2 to become the third largest commercial channel for 16–34s. ITV2 is already the UK's number one digital channel.
- Win a greater share of marketing budgets. We will be a market leader in offering advertisers more opportunities to fund content, via ad-funded programming and product placement;
- Future-proof Freeview and launch Freesat. We will build on the success of Freeview with our partners and launch Freesat, working with the BBC to strengthen free-to-air digital television;
- Launch an ITV HD service in 2008. We are seeking to bring HD to Freeview over time and will launch an ITV HD service on Freesat;
- Secure a new ITV1 PSB remit for the digital age. ITV's PSB obligations cost over £200 million in 2007. In the short term, we aim to save £40 million through a reorganisation of regional news;
- Work to replace CRR. We will work closely with advertisers and the wider industry as the regulatory review process unfolds.

Content-led growth

The key objective within our Global Content division is to create and own the UK's most popular and valuable content, doubling our annual revenues in the UK and internationally by 2012 to £1.2 billion. This target includes ITV commissions – where we aim to increase ITV Productions' share – but also commissions from other UK and international broadcasters, which we intend to expand significantly.

Key actions to help us meet these challenging targets are:

- The creation of an integrated Global Content division, bringing together our international production, sales and licensing businesses with our UK production business;
- An increased focus on high-value genres with 360 degree potential. We will accelerate development and production of long running drama series, factual and entertainment formats and comedy;
- Development spend increased by 50%, targeting the high value areas of drama, formats, quiz shows and features;
- Launch a new talent strategy to make ITV a magnet for creative talent. We are offering people a wide range of new and exciting ways to work with ITV;
- Continued expansion of global sales and production by better exploiting programming from our UK and international production arms, and via targeted international acquisitions;
- Targeted acquisition of complementary UK and international producers. We have allocated up to £200 million for UK and international acquisitions. For example, game show producer 12 Yard was acquired in December 2007.

Online business of scale

In Online our primary target is to deliver £150 million in annual revenues by 2010. This will come from a combination of advertising subscription and transactional revenues across a number of properties, including itv.com, relaunched in 2007, and our proposed broadband archive service working with BBC Worldwide and Channel 4. By 2010, we aim to grow itv.com into a top 10 UK commercial entertainment site.

Our key actions to achieve these targets are:

- Grow viewing of ITV on-demand content. The new itv.com site was relaunched in 2007 and traffic is up significantly since relaunch. We will also selectively syndicate our content to generate ad revenues, earn licence fees and drive awareness of ITV programming and of itv.com in particular;
- Develop specialist sites around key programme brands and communities, using these brands to open up a range of online and interactive revenue opportunities;
- Build our local community site, itvlocal.com and grow Friends Reunited as part of our portfolio, with a greater emphasis on advertising;
- Build excellence in online ad sales. With itv.com offering streamed channels, 30 day catch up and exclusive content, we are well placed to secure a substantial share of this fast growing market;
- Develop adjacent online businesses attractive to our audience and advertisers.

Operating review

The Company made significant progress over the course of 2007, with a new structure, strategy and senior management team all put in place by the end of the year.

It was a tough year for ITV and all UK broadcasters, with the issues of trust coming to the fore, in particular in the context of premium rate services. Those issues and the steps that we took to address them are detailed in a separate section on Trust and PRS.

ITV's strategy, summarised on pages 22 and 23, was set out publicly in September 2007, following an in-depth analysis of the market, competitive trends and the opportunities and challenges facing ITV. The strategy is reflected in a new segmental structure for the Company, incorporating Broadcasting, Global Content and Online.

Broadcasting remains the primary revenue driver of the Company with ITV1 in particular still delivering over 50% of the Company's total revenues in 2007. Broadcast incorporates all our advertising funded television channels. Simon Shaps is Director of Television, responsible for commissioning and scheduling across all ITV channels. In February 2008 we announced that Peter Fincham, former controller of BBC1, would be taking over from Simon later this year. In November, Rupert Howell took up a new position as Managing Director of Brand and Commercial, responsible for sales and marketing across all our channels. Together with our advertising-funded channels, for reporting purposes, Broadcasting incorporates the wholly owned SDN which is a platform business operating a digital terrestrial multiplex.

Our strategy is driven by our content. Global Content was created during 2007 to pull together all production for ITV and other UK broadcasters; international production and distribution; merchandising and other commercial ventures. Dawn Airey took up a new position as Managing Director of Global Content in October 2007, working closely with John Whiston as Director of ITV Productions.

Finally Online incorporates our consumer-facing online activities, notably itv.com, itvlocal.com, Friends Reunited and the new broadband joint venture with BBC Worldwide and Channel 4. Our Online division is headed by Jeff Henry as Managing Director, of ITV Consumer.

Over the course of 2007, we have also significantly strengthened core central functions. Carolyn Fairbairn joined the Company from McKinsey as Director of Strategy and Development and is responsible for strategy, development and regulation across the Company. Mark Gallagher joined the Company from Camelot as Director of Group Corporate Affairs and has established an integrated communications and public affairs function. Andrew Garard also joined as Group Legal Director.

Outside the core divisions, ITV retains a number of businesses identified as non-core and candidates for sale or exit. These include Carlton Screen Advertising, Screenvision and broadband ventures related to football clubs in which ITV no longer retains a stake.

Key operational developments in the major business areas and with respect to these non-core activities in 2007 are described in the following sections.

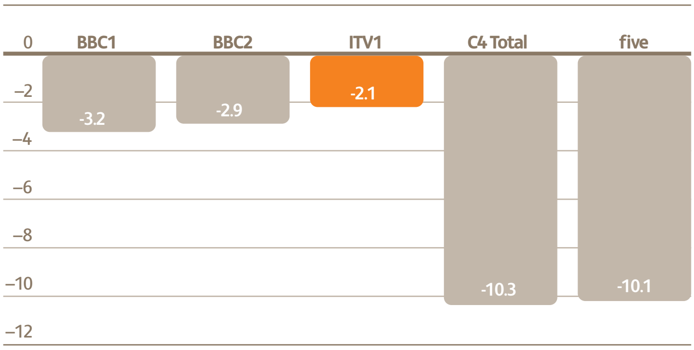
Broadcasting

2007 saw improvement in ITV1's schedule and performance, with ITV's digital family of channels continuing to grow.

Following steep declines in 2006, the performance of the ITV1 schedule was more stable in 2007. In absolute terms, ITV1 actually delivered a higher level of commercial impacts – individual viewings of 30 second commercials – in 2007 compared to 2006. Key long-running programmes – in particular Coronation Street and Emmerdale in peak and This Morning and The Jeremy Kyle Show in daytime – continued to perform well, underpinning the schedule as a whole. Performance in the afternoons improved with the introduction of a new schedule architecture which saw ITV's children's programming focused on the Citv channel and on weekends on ITV1. The channel's sporting output was boosted by the explosive debut season of Lewis Hamilton in Formula 1, England defying the odds in the Rugby World Cup, and the enduring excitement of Champions League football.

The ITV1 schedule was refreshed with a number of successful new shows, including Britain's Got Talent, Primeval and Kingdom, all of which return in 2008. In total ITV1 launched 23 new shows in 2007 which secured audiences in excess of 5 million viewers. (2006: 32 new shows).

Change in share of viewing in 2007
% change vs 2006



Source: BARB Infosys
C4 Total includes Channel 4 and C4+1

ITV News continued to set the agenda with award winning programmes, reporting and special broadcasts. The year began successfully with ITV News picking up four prestigious Royal Television Society Journalism awards, including the Programme of the Year award for the ITV Evening News. Following January's "Big Melt" climate change report from Antarctica, ITV News continued its on location reports with a week long "Iraq Week" special in March and "Zimbabwe Week" in September – the latter including interviews with Prime Minister Gordon Brown and Archbishop Desmond Tutu.

ITV1 remained the leading free-to-air commercial channel in the UK, with a lead over all channels (including BBC1) in peak time between 7.00 pm and 10.30 pm in the evening. Across all time, ITV1 recorded its best year-on-year performance in share of viewing terms since 2001, with a fall of just 2.1% year-on-year. This compared to losses of 3.2% at BBC1, 2.9% at BBC2, 10.3% at Channel 4 and 10.1% at five.

ITV1's volume of commercial impacts was up 1.1% year-on-year across all adults and was up 1.3% in terms of the ABC1 adults prized by advertisers. However ITV1's share of commercial impacts (SOCI) – the core currency for advertisers under the CRR mechanism – fell to 32.0% compared to 33.1%in 2006. This is because the total universe of commercial impacts continues to grow rapidly as the UK transitions to digital and the BBC loses viewing in the process. However this SOCI loss of 3.3% represents a significant improvement over 2006, when ITV1 registered a decline of 10.5%.

As important as on-screen progress during the year, ITV1 also laid the foundation in 2007 for the new schedule launch in January 2008. In March 2007 ITV secured the terrestrial rights to FA Cup football and England home internationals from the 2008/09 season. In Autumn 2007, ITV confirmed that News at Ten would return in 2008 with Trevor McDonald joined by Julie Etchingham and Mark Austin. A raft of new programmes and returning favourites were commissioned during the year to hit ITV1 screens in early 2008. These included exciting new dramas Honest, The Fixer and Rock Rivals, returning hits including Kingdom, Harry Hill's TV Burp, Primeval and Dancing On Ice.

ITV awards

ITV's creativity has again been rewarded with its programmes winning major awards both in the UK and internationally.

ITV programmes as diverse as See No Evil, Housewife 49, Coronation Street and Dancing On Ice secured a record number of major UK awards, including television and craft BAFTAs, Royal Television Society, National Television and British Soap Awards.

Internationally ITV Productions secured a number of major honours, including International and Primetime Emmy Awards, the Prix Europa and a Banff World Television Award, with the ITV produced film The Queen winning two Golden Globes and a 2007 Academy Award.

The quality of ITV productions for other UK broadcasters was demonstrated by several major awards for Longford (for Channel 4) and The Street and The Royle Family (for the BBC).

ITV News won a host of awards including RTS Journalism Awards programme of the year for the Early Evening News.

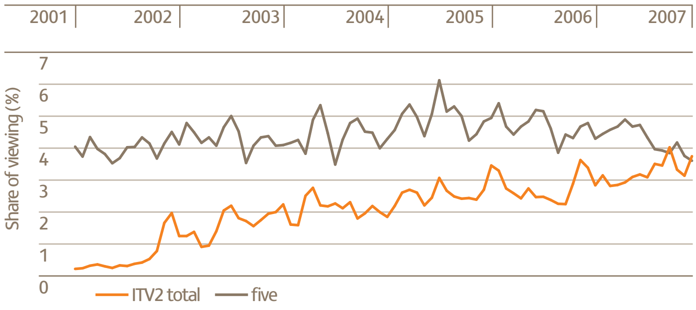
ITV's regional programme teams secured a number of regional awards and an unprecedented national BAFTA for Granada Reports coverage of the Morecambe Bay cockle-picking tragedy.

ITV Sport won seven RTS Sports awards, including for coverage of boxing and the Boat Race, and a BAFTA for ITV's Formula 1 coverage produced by North One Television.

ITV also won a number of awards for programmes commissioned or acquired from external producers, including BAFTAs for The X Factor and Entourage.

ITV2 moved into the next phase of its development with increased commissioning of exclusive content.

ITV2 vs five
Viewing share for 16–34 year olds in multichannel homes



Source: BARB/Infosys, All time, Multichannel Homes, Jan 2001 – Dec 2007, ITV2 Total = ITV2 / ITV2+1

Beyond ITV1, ITV's digital channels also had a successful year in 2007. ITV2 moved into the next phase of its development with increased commissioning of exclusive content. Secret Diary of a Call Girl starring Billie Piper peaked with an audience of 2.2 million in September, an exceptional audience for a digital-only channel. Investment in such channel-defining, original content has further cemented ITV2's proposition as a bespoke channel for younger audiences, distinct from and complementary to ITV1. ITV2's share of viewing across 2007 in multichannel homes was 2.2%, up 11.9% on 2006. ITV2 was named non-terrestrial channel of the year at Broadcast magazine's awards and at the 2007 Edinburgh International Television Festival.

ITV3 was the UK's ninth most popular channel for 2007 with a share of viewing of 1.4% in multichannel homes. ITV4 grew its audience share in multichannel homes by almost 25% over the year as high quality sporting events in particular attracted large audiences to the channel. In its first full year of broadcasting the Citv channel played an important role in reaching children in digital homes and in particular on the DTT platform, where it is the only free-to-air commercial children's channel. Citv represents a far more effective means of reaching children than children's programming on ITV1, which reduced in volume in 2007. However the Citv channel was impacted by regulatory restrictions on food advertising to children, which came into force in 2007 and apply in full to children's channels from 2008. The ITV Play digital channel was closed in March 2007. Revenues had been impacted by the PRS issues described elsewhere in this report. Closure of the channel freed up DTT spectrum which ITV has redeployed to launch the time-shifted ITV2+1 service on the platform.

Between them, ITV's digital channels were responsible for 37.5% of the growth in multichannel viewing in the UK during the year and overall advertising revenue from our digital channels grew by 33% to £209 million. The contribution from ITV's digital channels meant that ITV overall increased its volume of commercial impacts year-on-year by 3.2%. In SOCI terms, ITV plc channels accounted for 41.7% of all UK commercial impacts (2006: 42.2%), a 1.2% decline (2006: 5%).

ITV's strong on-screen performance in 2007 was all the more impressive as it was delivered on approximately the same level of investment in programming as 2006. ITV has sought to improve schedule efficiency further by developing more long-running, returnable series, rather than one-offs or short-run series. ITV maintains tight control on costs and is one of the most efficient broadcasters in the UK as measured by the relationship between programme spend and audience share.

ITV's performance on-screen also allowed the Company to optimise its advertising revenues across the year. ITV1 advertisers could reduce their share commitment to ITV1 in 2007 by over 10% on average under the CRR ratchet because of ITV1 performance in 2006. However the channel was well-placed to attract short-term advertising revenues as ITV1 fared better than its core competitors Channel 4 and five across the year. In 2007 ITV1 accounted for 498 out of the top 500 shows on UK commercial television (2006: 499 out of 500), making it the UK's most effective brand-building channel for advertisers by some margin. ITV television advertising revenues fell by 0.3% in 2007 compared to an 8.4% drop in 2006 and against total growth in the market in 2007 of 3.1%.

A strong on-screen performance in 2007 means that ITV1 enters 2008 with the lowest CRR ratchet since merger. Rather than reducing their share commitment to ITV1 by over 10% as applied going into 2007, advertisers and agencies are entitled only to reduce their commitment by around 4% in 2008. With ITV1 schedule changes seeking to maximise audience levels in crucial peak viewing hours and ITV's commercial competitors continuing to lose audience share, ITV will compete fiercely for revenues from advertisers and agencies over and above their contractual minimum. The continuing growth, in audience share and SOCI terms, of ITV's digital channels also positions them well to continue strong growth in revenue terms over the course of 2008, depending on conditions in the wider market.

The wholly-owned DTT multiplex operator, SDN, enjoyed a successful year in 2007. Early renewal of a significant contract with QVC underlined the ongoing strength of the Freeview capacity market, and provided for improved terms for SDN. During the course of 2007, ITV also confirmed that it had contracted with the transmission operator Arqiva to deliver the DTT transmission infrastructure that will take the channels occupying the capacity licensed to ITV and to SDN through the switchover process. Post-switchover ITV's core capacity will reach around 98.5% of the UK with SDN channels available to over 90% of the UK. The switchover process begins in earnest in 2008 and confirmation of the post-switchover multiplex configuration (in particular for HD and PSB channels) is also expected in 2008, which should be a further positive for the platform and for SDN. In 2007 ITV also confirmed a joint venture with the BBC to launch a "Freesat" subscription-free digital satellite service in 2008. The new service will include free-to-air HD services from ITV and the BBC.

96% of ITV1 programmes delivering audiences above 10 million were made by ITV Productions.

Global Content

Global Content registered a number of significant achievements in 2007 and profits increased 2% to £90 million. But while profits were maintained, revenues were down in particular because sufficient and consistent commissions were not secured from ITV and other UK channels.

The second series of Dancing on Ice proved a huge success for ITV1, attracting consistently high audiences across its nine week run. Overall, Dancing on Ice secured an average audience of 8.5 million with a 37.4% share in its Saturday night slot (2006: 9.5 million, 41% share). Other entertainment successes included the 7th series of I'm A Celebrity...Get Me Out of Here and the 7th series of Ant and Dec's Saturday Night Takeaway.

Lewis returned to ITV1 on Sunday nights as a series. With an average audience of 8.3 million and a 34% share, the series was one of ITV1's top performing dramas across the year. The ITV premiere of the Oscar-winning movie The Queen delivered an average audience of 8.7 million and a 38% share. However drama production for ITV overall fell short of target. Personnel changes and a restructuring during the course of 2007 aim to return the business to growth going forward.

ITV-produced soaps continued to draw impressive audiences in 2007: Coronation Street was the top-performing show in the UK in 2007, excluding sport, with the highest rating episode attracting an audience of 13.1 million, and a 49.5% share (2006: 12.6 million viewers, 52.6% share). Throughout the year it was the UK's top performing soap, averaging an audience of 10.1 million and a 44.6% share (2006: 10.1 million viewers, 46% share).

Emmerdale attracted an average audience of 7.5 million and a 37.2% share (2006: 7.6 million, 38.4% share), and was scheduled against the BBC's biggest show, Eastenders, on 15 occasions in 2007. In 2008, that head-to-head battle becomes a fixture, with the new ITV1 schedule pitting Emmerdale against Eastenders every Tuesday evening.

Across the year, ITV Productions secured around 50% of ITV1 commissions, but was slightly down on the previous year, as the network decided not to recommission a number of established programmes – in particular dramas – as part of its schedule changes. The success of ITV's content-led strategy relies in part on ITV Productions growing its share of ITV1 commissions, with a target for the Global Content division of 75%.

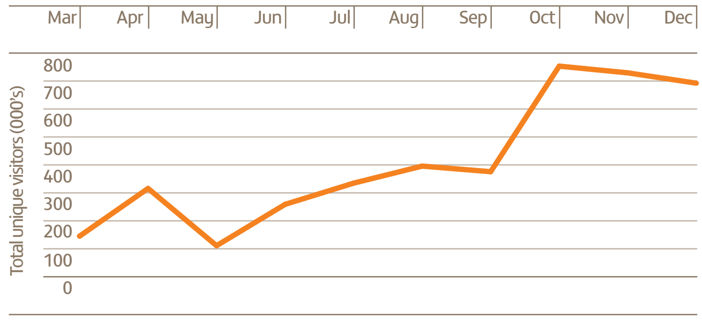
The Turnaround strategy also requires significant growth in commissions for UK broadcasters other than ITV. 2007 again saw a significant volume of ITV production for other UK broadcasters, including The Street, University Challenge, Come Dine With Me and Countdown. However UK production beyond ITV was down 34% year-on-year, with external drama falling short of target.

However ITV can face the challenges of delivering growth in Global Content with some confidence, as 2007 once again provided ample evidence of the quality of the Company's output and the creativity of its staff (see ITV awards).

ITV's Turnaround strategy targets a rate of expansion in Global Content that will not be delivered solely by organic growth. ITV has earmarked up to £200 million of proceeds from disposals for content-related acquisitions and has also committed to supplementing existing in-house operations with a variety of innovative partnerships and flexible structures to ensure that ITV continues to tap the widest range of UK production talent. In July 2007, ITV announced that it would be taking a 25% stake in Mammoth, a new drama producer set up by a team with an established track record in the genre.

In December 2007 ITV confirmed the acquisition of 12 Yard, an independent producer specialising in gameshow and quiz show formats and production. Gameshows and quiz shows represent perhaps the most internationally saleable genre of programming, but have not been an area of strength for ITV historically. The majority of ITV1 gameshows and quiz shows, from Who Wants to Be a Millionaire to Goldenballs, are not in-house productions. Even where ITV has produced or co-produced such shows itself – for example, with Countdown and Gameshow Marathon – it has tended to rely on formats from third party producers. It is hoped that the acquisition of 12 Yard will help reverse this trend, with a number of possible new commissions for ITV1 under discussion.

itvlocal.com unique users per month, 2007



Source: comScore

International

2007 was a strong year for returning formats such as First 48, Celebrity Fit Club and Hell's Kitchen with Gordon Ramsay in the US, Das Perfekte Dinner (Come Dine With Me) in Germany, and Dancing with the Stars in Australia. Distribution revenues at ITV Worldwide were impacted by the reduction in UK commissions and the exchange rate. Nonetheless sales were registered with TV broadcasters, home entertainment partners and new media platforms in more than 250 countries worldwide. Top sellers in 2007 included Hell's Kitchen USA, Agatha Christie's Marple and Northanger Abbey and Mansfield Park from ITV's Jane Austen season. Format sales included Saturday Night Takeaway, sold to Hunan TV in China (pictured) which debuted in early 2008 with an audience of 55 million viewers.

Trading for Granada Ventures was challenging with price competition in areas such as DVDs eroding margins and turnover, even where volumes were maintained. There were strong campaigns around classic ITV brands like Sharpe and Inspector Morse, and strategic acquisitions in the children's and comedy market. Mobile and online gaming products were released for Catchphrase, Bullseye and Countdown, with ITV Classic Gameshows released for Xbox, Nintendo, Sony Playstation and PSP. A number of digital "download to own" deals were agreed in 2007 and this will be a major initiative in 2008 exploiting our available catalogue.

Online

2007 was a crucial year for Online with the relaunch of a video-enabled itv.com, full national roll out of itvlocal.com, continuing growth at Friends Reunited, and the agreement of joint venture terms for a broadband archive service with the BBC and Channel 4.

In 2007, itv.com received a complete functional and visual overhaul, enabling it to compete with other major entertainment sites. Now equipped with a broadband video player and a much-expanded operations and editorial team, the site offers channel simulcasts for ITV1, ITV2, ITV3 and ITV4 as well as a 30-day catch-up service and access to archive material. As a result of this new look and feel, the site has achieved substantial growth, with unique users per calendar month breaking through the 6 million barrier for November.

Moving forward, itv.com is developing key partnerships with other online players and the first exclusive made-for-broadband commissions. A partnership with MSN for the duration of I'm a Celebrity...Get Me Out Of Here! in November saw exclusive clips on the MSN portal in exchange for cross-promotion of itv.com.

itv.com launched with Web Lives, an innovative series of short, documentary-style programmes made by Roger Graeff. In 2008 there will be further commissions, including a 12-part series of drama shorts linked to new ITV1 dramas Moving Wallpaper and Echo Beach, called The Mole.

2007 saw the completion of the full roll-out for our regional broadband service itvlocal.com. From October, the service has been available in all ITV regions, and in December, it attracted over 750,000 unique users. itvlocal.com is modernising ITV's delivery of regional news, expanding the viewing and reach of our regional programming online. Almost 70% of visitors are coming to itvlocal.com for local news before the main regional news programme airs on ITV1 at 6pm.

itvlocal.com has over 1,000 hours of news, weather, short films, documentaries, viewer videos, and other material available to be viewed on demand by broadband viewers.

Continuing efficiency gains and disposal of non-core businesses remain a priority for the business.

Efficiency savings 2007-08

	2007 £m	2008F £m
Back Office	11	15
Property	1	1
Systems and Technology	4	7
Transmission	6	7
Staff related	4	6
Procurement	3	5
Cumulative total	29	41
Cumulative cost of change	15	26

Note: Efficiency gain run-rate to end of 2007 and company forecasts to 2008.

The Friends Reunited group of sites continued to grow during 2007 with revenues increasing by 36% on the previous year. Worldwide, Friends Reunited currently has 19 million registered members (2006: 17 million), whilst Genes Reunited has 7.9 million (2006: 5.8 million). One new name is added to Genes Reunited every second and a new member joins the Friends Reunited Dating site every two minutes.

Following our recent strategy review, there are plans in development for much greater integration with each Friends Reunited business and itv.com, including a reduced emphasis on subscription fees for some parts of the sites.

In November 2007, ITV announced the creation of a commercial three-way joint venture with BBC Worldwide and Channel 4 to launch an on-demand content service in 2008. The service will bring together over ten thousand hours of the UK broadcasters' current and archive programming from the UK's three leading broadcasters. Content will be available to be both streamed and downloaded with viewers able to watch for free, rent or buy.

Going forward, itv.com will provide access to catch-up programming and clips, and will carry exclusive simulcasts of ITV channels, whilst the joint venture broadband service will be the home of the ITV archive.

Non-core businesses and efficiency savings

ITV continued its programme of non-core disposals in 2007, selling stakes in Arsenal and Liverpool football clubs, MUTV and the ITFC sub-titling business. ITV retains stakes in broadband services associated with Arsenal and Liverpool, but is seeking to dispose of these businesses during the course of 2008.

Carlton Screen Advertising had a challenging year in 2007. Notwithstanding healthy cinema attendances, CSA was adversely affected by falling revenues and onerous contractual commitments, which led to a continuing trading loss. ITV took an exceptional operating charge of £9 million and has entered into a dialogue with cinema operators and other parties regarding the future of the business.

Our US screen advertising joint venture with Thomson enjoyed another year of impressive double-digit revenue and profit growth. The installed installation pipeline of digital screens is currently over 7,000 out of a total screen count of just under 15,000. Our European cinema advertising business, also a 50/50 joint venture with Thomson, experienced a year of consolidation. Total revenues were constant year on year, with strong revenue growth in France offset by a disappointing performance by the Belgian business.

In 2006 we announced a programme of efficiency savings across the Company aimed at achieving a cost reduction run rate of £41 million a year by 2008. This programme is on track with an annualised £29 million of savings delivered in 2007. Continuing efficiency gains and disposal of non-core businesses remain a priority for the business in the context of our turnaround strategy. Savings and disposals will fund the investment and acquisitions that are necessary to deliver sustainable growth.

Trust and PRS

In 2007, serious issues arose relating to PRS on ITV channels and GMTV. ITV fell short of the standards that viewers have come to expect and we are determined that the trust of viewers should be fully restored.

This section summarises the issues that arose, the associated regulatory processes, and the steps taken by ITV to ensure that such problems do not recur.

Viewer votes and competitions have been a feature of television programming for decades, but the advent of mobile phones and premium rate telephony enabled broadcasters to build on such interaction and to generate revenues in the process. Over recent years, use of PRS in ITV and GMTV programming – and the associated revenues – grew rapidly. Such revenues were generated by PRS elements in mainstream programming, as well as from dedicated participation channels and services, such as ITV Play.

ITV

In March 2007, following press reports alleging irregularities in ITV programming, ITV announced the immediate suspension of all PRS activity and appointed Deloitte to carry out a review of PRS in ITV programming. Deloitte reviewed PRS procedures in all current programming; identified means of reducing the risk of failures arising in the future; and investigated PRS-related incidents in ITV programmes broadcast from April 2005 to March 2007.

In October we published the findings of the Deloitte review and ITV investigation into PRS within our programmes. Out of more than 100 ITV programmes and series, serious editorial issues were identified in three entertainment programmes. The Deloitte review also highlighted serious technical issues on five occasions affecting two further ITV shows; on none of these occasions did the problems alter the outcome of viewer votes. In addition, The British Comedy Awards 2005 is the subject of a separate and ongoing investigation by media law firm Olswang.

The review identified failings in the way ITV integrated PRS into its programming: appropriate account was not always taken of the impact of editorial actions on the integrity of interactive elements in programmes. Agreed and consistently applied procedures, controls and ways of working between the parties involved in the process were lacking. In addition, supporting technology, in the most part supplied by third-party suppliers, did not deliver the required level of service consistently.

In response to the review, ITV announced a comprehensive reimbursement scheme and committed that any unclaimed element of the potential total to be reimbursed – around £7.8 million – would be donated to charity in 2008.

ITV also announced changes to the operation of PRS, including the following:

- Suspension of all SMS and Red Button voting in live programmes, until systems are in place to ensure timely delivery of votes;
- Reducing ITV's dependency on third party providers, by bringing telephony service provision in-house on programmes wherever possible;
- Introduction of training across ITV to ensure that employees are aware of their responsibilities in respect of the operation of PRS;
- Strengthening ITV's compliance resources with the addition of a dedicated Interactive Governance team.

The problems identified in relation to ITV's PRS are being considered by Ofcom which could result in fines or other sanctions. ITV expects to learn the outcome of the regulatory process in 2008.

The issues identified by Deloitte relate largely to PRS elements in mainstream ITV1 programming, rather than participation television programming broadcast under the ITV Play brand. However, in March 2007, ITV closed its digital participation channel ITV Play. From the end of 2007, ITV ceased broadcasting ITV Play participation television programming on all ITV channels.

ITV committed to improving training and awareness for all employees involved in programming and interactive services.

Trust – it's a must

Following publication of the findings of the Deloitte review and issues involving trust in television across all UK broadcasters in 2007, ITV committed to improving training and awareness for all employees involved in programming and interactive services.

Two compulsory online compliance modules were launched, supported by an internal campaign seeking to raise awareness of the importance of compliance and trust in ITV. The campaign included a booklet – Trust: it's a must – for all new joiners and production staff.

GMTV

In April 2007, serious shortcomings emerged relating to competitions on GMTV and in particular selection of winners before phone lines had been closed in competitions run between August 2003 and February 2007.

In response, GMTV suspended all competition activity and contracted Deloitte to undertake a review and to seek to identify affected viewers. In July 2007 GMTV confirmed a package of measures aimed at restoring the trust of viewers. These included offering full refunds to all entrants who were wrongly excluded; holding 250 free prize draws, each with a £10,000 prize for affected entrants; and making a £250,000 donation to the children's charity ChildLine. The Managing Director and Head of Competitions both resigned from the station.

GMTV also introduced new measures for the management of PRS going forward (although PRS competitions have not yet returned to GMTV programming). These included:

- Development of independently audited compliance checks and procedures;
- Regular inspection of future service providers; and
- Ensuring that future competitions allow for orderly winner selection in a timely and compliant manner.

Following an investigation completed in September 2007, Ofcom imposed a fine of £2 million on GMTV and required GMTV to broadcast a statement of the regulator's findings.

In addition to reimbursement costs and donations, ITV has incurred costs in the process of reviewing its PRS operations of approximately £2 million. Based on current estimates and before any potential Ofcom fine on ITV, an exceptional operating charge of £18 million associated with PRS activity has been taken by ITV in the full year 2007, including the £5 million pre-exceptional operating charge taken at the half year.

Key Performance Indicators

ITV's Key Performance Indicators (KPIs) are the core measures used by the Company to assess its own performance and allow shareholders and other ITV stakeholders to see how the business is doing.

ITV has revised its KPI framework to reflect the Turnaround strategy, allowing stakeholders to assess ITV's progress towards the targets it has set itself. The new framework provides more granularity in terms of financial KPIs, together with a more comprehensive set of non-financial indicators.

Financial KPIs
The financial performance of the Company depends on our ability to sustain growth in the revenues we can attract and the profits we are able to earn on those revenues. This dual focus is reflected in ITV's financial KPIs, which provide more detail of the performance of the Company across its major areas of activity and are consistent with the long-term targets set out in the Turnaround strategy. Further detail on our performance in these areas is set out in the Operating and Financial Reviews.

Revenues
The Turnaround strategy sets out the Company's target of growing revenues (adjusted for disposals) by 3–5% to 2010 and 5% in 2011–2012. Achieving this target will depend on ITV's ability to maximise its television advertising revenues across all its channels. In addition, ITV has adopted strategic targets for total Global Content annual revenue (including internal revenues) of £1.2 billion by 2012 and for Online annual revenue of £150 million by 2010.

	2007 £m	2006 £m
Total ITV revenues	**2,082**	2,181
ITV plc NAR	**1,489**	1,494
Global Content revenue (including internal revenue)	**564**	632
Online revenue	**33**	23

Profits
Operating EBITA remains ITV's key profit indicator, reflecting operating profit before amortisation and operating exceptional items. Adjusted earnings per share relates those earnings and tax adjustments to the Company's share capital and thereby demonstrates underlying value creation per share.

	2007 £m	2006 £m
Operating EBITA	**311**	375

	2007 pence	2006 pence
Adjusted basic EPS	**5.0**	6.3

Non-financial KPIs

ITV has set out an ambition to be recognised as the UK's favourite source of free entertainment and seeks to be a company where the best people want to work. These are reflected in non-financial KPIs applying to audiences and to ITV staff.

Audiences

A new ITV commitment indicator sets out the proportion of people agreeing that an ITV channel or service is one of their favourites. A new KPI for total ITV family SOCI reflects ITV's turnaround target that its channels will secure a share of commercial impacts of at least 38.5% to 2012. ITV1 adult impact volume is retained as a KPI, reflecting the imperative of ITV1 retaining scale in the market.

ITV is seeking to develop a robust methodology for reporting online traffic for the next annual report, together with revised data for the commitment indicator based on an online survey.

	2007	2006
Commitment (%)	**38**	40
ITV family SOCI (%)	**41.7**	42.2
ITV1 adult impact volume (billion)	**237.2**	234.7

Staff engagement

ITV operates in a market where it is the quality of people working in a company that is a key differentiator. A new staff engagement indicator drawn from the annual survey of all ITV staff is based on the average proportion of respondents agreeing they have pride in their work, are proud to work for ITV or speak highly about ITV's services.

	2007	2006
Staff engagement (%)	**63**	n/a

Risks and uncertainties

Our work on risk is more important than ever as the Company seeks to identify new market opportunities and potential revenue streams.

Broadcasting

Risk description	Impact on KPIs	Mitigation
Reduction in television advertising, as share of display advertising or due to regulatory intervention	– Loss of ITV plc NAR	– Development of new revenue streams and opportunities for advertisers outside television spot advertising – Dialogue with regulator and government over alternative policy responses and need for continuing deregulation
Continued decline in audience on ITV1 versus other commercial channels	– Decline in ITV1 adult impact volume – Loss of ITV plc NAR	– Development of predictive tools and commissioning process improvements – Growth of the ITV family of channels (ITV2, ITV3, ITV4, Citv) – Investment in the ITV1 schedule
The CRR remedy remains in place resulting in pricing constraints on delivery of volume audiences	– Loss of ITV plc NAR	– Application to OFT to review remedy – Design packages for advertisers that drive enhanced value – Growth of non-ITV1 revenue streams
Delivery of value from Network Programme Budget, including cost of sports rights and acquisitions	– Operating EBITA – Adjusted EPS	– Annual budget approval – Segregation of commissioning and price negotiation – Formal approval process (including financial limits) for individual commissions/acquisitions – ROI analysis performed on all sports rights and acquisition deals (e.g. films) as well as for key programme commissions – Performance ratchets in key talent deals and for key shows – High proportion of schedule produced in-house
Loss of transmission	– Loss of ITV plc NAR – Brand commitment	– Dual transmission centres act as back-up facilities – Business continuity testing programme – Emergency procedures in place – Constant monitoring of systems by service providers – Regular service and project review meetings with key suppliers
Compliance risk in relation to participation TV revenues	– Brand commitment – Loss of total ITV revenue	– Dedicated compliance team for shows involving viewer interaction – Training programme – Taking PRS in-house where possible

We consider the following to be the most significant risk factors, relating to the Company's operations. The risks listed do not necessarily comprise all those associated with ITV, and are not set out in any order of priority. Additional risks and uncertainties not presently known to ITV, or that ITV currently deem immaterial, may also have an adverse effect on its business.

Detail on the governance arrangements by which risks and uncertainties are monitored and managed is set out in the Corporate Governance and Audit Committee report section of the report at pages 99 to 105.

Global Content

Risk description	Impact on KPIs	Mitigation
Volume and international appeal of UK programme supply for sales exploitation	– Loss of Global Content revenue	– Continually building new relationships with independent and overseas producers – Increased development spend to maximise UK commissions – Increased development of programme ideas in owned overseas production centres (USA, Australia, Germany) – Increased focus on exploiting the existing catalogue in new and traditional media

Online

Risk description	Impact on KPI's	Mitigation
Failure to deliver new online propositions based on a business to consumer model	– Loss of Online revenue – Brand commitment	– Appointment of management with proven track record of success in these new areas – Technology action plan to provide clear strategic framework for internet-based initiatives.

General

Risk description	Impact	Mitigation
Pension scheme funding gap	– Additional funding requirement	– Appointment of Investment Fund Managers and Custodians – Trustees meet regularly to consider matters such as investment criteria, funding policy and legislative changes – An Investment Committee of Trustees which reviews investment policies – Formal actuarial valuations performed at least every three years to identify the solvency position
Retention of key people	– Business performance	– Incentive schemes for key talent – Staff surveys
Refinancing of maturing debt and bank facilities	– Availability of finance – Higher cost and more restrictive covenants	– Maintain adequate liquidity in the form of cash and undrawn bank facilities (the latter subject to compliance with financial covenants) – Fund long term from the bond markets without financial covenants – Constant monitoring of the financial markets and available funding options

Corporate responsibility

We recognise our impact on society and the environment and are committed to acting responsibly throughout our operations. Our objective is to earn and retain the trust of all our stakeholders for the long term.

Business impact

Managing corporate responsibility ("CR"), helps identify business risks and opportunities.

Public awareness of ITV is high and the Company has a high media profile. A reputation for high CR standards can help maintain the trust of viewers and other stakeholders, which can have a very direct impact on our business. It is also critical to attracting and retaining high quality staff.

Material issues

ITV manages a diverse range of CR issues which are fully explored in the Company's separate CR report. This section summarises the CR issues that ITV's management judge to be material to our business, in terms of their potential to either impede or accelerate delivery of our five year strategy.

Reflecting the development of the business beyond television, we divide CR issues into three main categories – On air, Online and Behind the scenes.

On air
Responsible programming – a breach of regulation (e.g. the Ofcom Broadcasting Code) could harm our reputation and alienate viewers, advertisers and regulators.

Reflecting society – the more relevant the programmes to our audience, the more popular they will be and the more attractive to our advertisers.

Interactivity – we need to manage interactivity in our programmes and services responsibly to build consumer trust and continued participation.

Online
Internet and mobile content – although outside the scope of broadcast regulation, we need to establish and apply appropriate standards for online content.

Social networking – it is critical that there are safeguards employed to ensure full protection of children and privacy.

Online gaming – safeguards against the risks of gambling addiction and misuse are essential to maintaining ITV's reputation.

Behind the scenes
Creative economy – investment in the creative and technical skills needed for a thriving UK television production industry is key to our long term success.

Our people – employee morale and loyalty are prerequisites for achieving our strategy, and robust health and safety procedures are essential across the business.

Our supply chain – our CR performance relies on the behaviour of our suppliers, as well as our own staff, in areas such as production and interactive services.

Our CR report covers issues including independent reporting, responsible advertising, supporting communities and protecting the environment in greater depth. Materiality in relation to CR issues is kept under continual review as the Company develops.

Stakeholder engagement
The following formal processes help us understand the opinions of our three key stakeholder groups:

Viewers: We survey our viewers on an ongoing basis via our Vision Panel to provide input into our programming and CR performance. We also engage with viewers through our Duty Office which handles queries and feedback.

Employees: We conduct regular employee surveys which cover a range of issues relating to working at ITV and include specific questions on CR. In addition we have an award-winning internal communications programme for CR, including a dedicated section on the staff intranet and regular updates on CR issues.

Investors: Investors regularly request information from us and we provide as much information as possible via our CR report and corporate website. We are included in the Dow Jones Sustainability Index, FTSE4Good and BITC CR Index.

CR Governance
CR is currently managed by a CR Operational Group which reports to a CR and Operational Risk Steering Group. This management process is currently under review. The terms of reference for the CR Operational Group are on our website at www.itvplc.com/itv/responsibility/repdownloads. The Board receives quarterly updates on CR issues and have discussions around CR issues at Board meetings. John Cresswell is the ITV Board director responsible for CR.

Events in 2007

On air

The programmes broadcast on ITV channels continue to be scrutinised by our Compliance Unit prior to broadcast. The vast majority of programmes were broadcast without problems. In the minority of cases that cause complaint, Ofcom considers if the Broadcasting Code has been infringed and publishes its rulings. In 2007, Ofcom upheld complaints about 15 ITV programmes (2006: 10 programmes). For discussion about the PRS issues in 2007 please see page 30.

Many programmes informed viewers about social or environmental issues. ITV News programmes and Tonight with Trevor McDonald regularly covered these issues. ITV dramas and soaps also raise serious issues in their storylines and can raise awareness in an audience that may not watch news programmes.

ITV News continued its commitment to investigating climate change (for example, with a series of reports from Antarctica). We also covered a wide range of domestic news stories through our regional news teams, including the floods that hit the north and west of England in the summer.

ITV met all its access service requirements in 2007 for deaf and hard of hearing, and blind and visually impaired viewers. We provide subtitling, audio description and signing, to ensure that programmes were as accessible as possible to all viewers. Almost all the ITV1 schedule is subtitled, including all programmes in peak time. Audio description was provided for many of ITV's dramas, where there is greatest value to viewers.

Online

We understand that our diversification from television broadcasting brings us into new and different regulatory environments with specific risks in each business. During 2007 we assessed the CR issues relevant to our online businesses and will begin reporting on them in our CR report.

Our overall approach is to apply the same standards to our non-television businesses that we have for television even where the regulatory regime is less stringent.

Protecting the consumer

When itv.com was relaunched with video-on-demand in 2007, there needed to be a system to identify any adult content (normally shown post-watershed on air) and allow parents to restrict access if necessary. Programmes available online with adult content now display "video guidance" boxes. The system is designed to obtain confirmation from the user that they are aged 18 or over, or allow parents to restrict access for children using the site by introducing a PIN verification process.

Dow Jones Sustainability Indexes
Member 2007/08

Business in the Community
COMPANIES THAT COUNT 2007
in association with THE SUNDAY TIMES

FTSE4Good

Behind the scenes

We continued initiatives to manage human resources ("HR") and our environmental impact. Our HR programme focused on training and development, diversity, and health and safety. We also strengthened our environmental programme with a focus on waste management and energy efficiency.

We strive to improve the management of CR issues at ITV and recognise there are areas where we need to focus our attention. Our supply chain, environmental performance and community strategy are all currently under review and will be further developed throughout 2008.

CR performance indicators

On air	2007	2006	2005
Responsible programming			
Programmes/Episodes complained about*	**773**	843	799
Upheld complaints	**15**	10	8
Resolved complaints	**4**	19	19
Not upheld/out of remit	**754**	814	772
Access services (ITV1)			
Subtitling (% of programmes)	**91.4**	87.0	89.0
Audio description (% of programmes)	**10.5**	9.0	8.0
Signing (% of programmes)	**4.5**	4.0	3.5
On-screen diversity			
Total black and minority ethnic (%)	**13.6**	11.5	13.6

*Complaints data is compiled from Ofcom Broadcast Bulletins.

Behind the scenes	2007	2006	2005
Protecting the environment(1)			
CO_2 emissions from business travel(2)	**6,580**	n/a	n/a
Total CO_2 emissions(2)	**47,991**	37,330	39,665
Total waste (tonnes)	**2,210**	1,776	1,743
Total waste recycled	**36%**	29%	53%
Total water use (m^3)	**129,899**	133,485	104,473
Workplace profile(1)			
Women employees (%)	**49.0**	47.6	47.6
Ethnic minority employees(3)	**8.4**	9.9	6.4
Employees with a disability (%)(4)	**2.0**	2.0	2.0
Employees aged over 50 (%)	**14.0**	15.1	17.0
Health and safety			
Accidents requiring more than three days off work	**9**	7	23
Major accidents	**2**	1	1
Fatal accidents	**–**	–	–

(1) UK only, excluding GMTV.

(2) Improved data collection systems in 2007 allowed us to collect full business travel data, hence the increase over 2005 and 2006 which included partial data.

(3) % of those that disclosed their ethnicity.

(4) % of those that disclosed their disability.

Performance indicators for Online are in development.

ITV's CR Report for 2007 is available in the Responsibility section of our website at www.itvplc.com, in hard copy from the Company Secretary, or by email from responsibility@itv.com.

We are seeking to develop a culture that enables the best people to do their best work.

Our values

We are seeking to develop a culture that enables the best people to do their best work. During 2007 we modified two of the ITV values in order to give greater emphasis to Collaboration across ITV and to highlight the importance of Integrity in everything that we do. The ITV values are:

– **Customer focus** – understanding our customers and exceeding their expectations;

– **Collaboration** – working together across the organisation acting as one ITV;

– **Commitment** – committed to our business, our programmes and to each other, proud to be part of ITV;

– **Boldness** – encouraging improvement through creativity and innovation;

– **Excellence** – aiming for the highest standards and demonstrating that we are the best in everything we do;

– **Integrity** – demonstrating integrity in everything we do: when working with colleagues; making programmes; and understanding the diversity of opinion and talent we have across the organisation.

And, in addition, for all ITV managers:

– **Commercial** – doing everything possible to make ITV a commercial success;

– **Leading** – providing clarity and direction to create results, leading by example to motivate others.

Workshops which explore the importance and application of the ITV values were delivered to over 1,000 staff in 2007 and will continue in 2008. In addition, all members of the management incentive scheme have been assessed against the ITV values and the outcome of the assessments will directly influence a proportion of their bonus payment.

350 members of staff have participated in the Company's "Colleagues United" scheme. The scheme gives staff the opportunity to shadow a colleague in a different part of the ITV business and has an instrumental role in fostering understanding and collaboration across the organisation. The scheme will run again in 2008.

Brand

During 2007, we continued to measure the perception of the ITV brand across the family of channels using a continuous brand tracking study which has been managed by Hall & Partners Europe. We have also introduced an additional tracker to measure the brand performance of itv.com. Gaining insight into our strengths and weaknesses over time, this study allows us to track our performance on a like-for-like basis against previous periods and to measure our position compared to our key competitors. For the broadcasting business, all of the following metrics were measured for the fourth quarter of 2007 with comparatives for the fourth quarter of 2006. For itv.com we have data for April – December 2007.

Over the course of the study we have identified two key drivers of viewer behaviour: Spontaneous Commitment and Consideration. These are measures of people's loyalty and propensity to view/consume respectively.

In the context of an increasingly competitive marketplace, the ITV family of channels has retained a strong and stable Spontaneous Consideration at 63% (2006: 64%), compared with the BBC at 69% (2006: 70%) and Channel 4 at 41% (2006: 36%). For individual channels, the Spontaneous Consideration picture has increased for ITV1 at 60% (2006: 57%), BBC1 at 67% (2006: 64%) and Channel 4 at 35% (2006: 28%). Meanwhile, ITV2 has experienced a slight decline in Spontaneous Consideration to 13% (2006: 15%), ahead of its nearest digital free-to-air channel competitor E4 at 10% (2006: 8%).

A harder measure to improve is Commitment. Being a "favourite" channel is more difficult as viewers are being delivered an increasing number of television entertainment choices. Against this backdrop, ITV1 Commitment has declined slightly to 38% (2006: 40%). In the same period BBC1 Commitment has increased to 51% (2006: 48%) and Channel 4 decreased to 28% (2006: 35%). Over the last year our marketing efforts have been focused on addressing both Consideration and Commitment and we continue to see evidence of its success through the brand tracking study which shows that viewers who had been exposed to and recognised our promotional activity have a Consideration level approximately eleven percentage points higher than non-recognisers.

Our two key external stakeholders are our viewers and advertisers.

Customers

We have a wide range of customers with relationships overseen by a range of commercial and managerial processes. Our two key stakeholders are our viewers (and consumers) and advertisers. Serving our viewers and consumers lies at the heart of everything we do, and our business is based on the ability to deliver quality content firmly targeted at our viewers and consumers.

To understand this demand better we commission an independent research company to recruit and survey a panel of 10,000 adults in the UK (vision panel). The Panel, selected to be representative of the UK population in its demographic constituency, is regularly asked about programmes that maximise ITV's audience share. The information gathered represents an important input into the decision-making process of our Broadcasting business. We believe it is important that our viewers can be confident that they know in advance whether programmes will be suitable for them or their family. To minimise the risk of offence, we give pre-transmission on-air announcements where appropriate. We have a duty office which deals with any issues that our viewers may have. In addition viewers may raise concerns directly with Ofcom and the Advertising Standards Authority. As we develop new media and interactive services, particularly online, we conduct rigorous market testing with consumers and other key stakeholders to ensure our products serve consumers well.

By delivering the kind of quality service our viewers and consumers demand, we ensure that we are creating a product our advertisers want to advertise around. Our relationship with our advertising community represents one of the most important aspects of our ability to drive value in the Company's operations. We have a large team which manages the relationships with advertisers through our partnership programme by identifying where longer term relationships are possible and by developing a closer understanding of our customers' needs.

Suppliers

ITV conducts business with a range of suppliers. As a broadcaster, ITV commissions programmes from a number of external production companies. ITV continues to commission from producers in line with a Code of Practice which is subject to regulation by Ofcom and is the result of discussions with the independent producers' body PACT. ITV believes that its terms are considered fair and reasonable by market participants.

Directly and via such producers, ITV contracts with suppliers of premium rate services. Following issues relating to PRS described elsewhere in this report, ITV has taken steps to ensure that services offered by such suppliers are of appropriate quality and reliability going forward. In some instances ITV and related companies have ceased to work with individual suppliers because of issues relating to the level of service provided.

A number of suppliers provide ITV with services relating to the broadcasting of ITV channels on multiple platforms, including transmission operator Arqiva, satellite operator SES Astra and satellite platform operator Sky. During the year ITV confirmed a long term contract with Arqiva to provide for digital switchover between 2008 and 2012. This contract will involve ITV working very closely with the company for the duration of the switchover process and well beyond.

ITV has a procurement department to deal with many of our major suppliers and to ensure that we do business with them in a consistent and appropriate manner.

People

The recruitment, retention and development of ITV's employees continues to be one of the highest priorities for the organisation. We are building the capability within our workforce to deliver our corporate strategy through clear personal objectives, alignment to the ITV values, well structured development opportunities, clear succession planning and aligned incentives.

Attracting the best talent, from diverse backgrounds, is an essential part of our strategy. The itvjobs.com website provides clear and simple access to ITV vacancies together with rich and engaging information about our values, culture and working in the television industry together with career advice and case studies. The site has attracted over 16,000 applications in 2007. All new starters have immediate access to induction programmes and an online employee toolkit that helps to ensure their contribution to the organisation starts as quickly as possible.

Development

The ITV management community has, on average, ten years service with the Company and our aim is that 75% of management posts are filled through internal promotions. We remain committed to developing the capability of ITV staff and in 2007 we completed formal succession planning for all senior management roles as the basis for an annual succession planning and performance management timetable reviewed regularly by the ITV Board.

Our portfolio of training programmes continues to focus on the core skills of Production, Journalism, Leadership and Personal Development. In 2007 over 5,800 training sessions were provided to our staff. As part of the operational changes arising from PRS issues, our portfolio of Compliance and Trust training has been reviewed and modified. The revised portfolio is now being rolled out across ITV and has mandatory elements for all new starters and all production and editorial staff.

We have increased our investment in new entrant trainee schemes which continue to deliver fresh and capable talent into our Production and News groups. A new, 12 month Fast Track Scheme for people at the start of their careers has been launched to enable successful applicants to work across all aspects of the Company as a springboard for their future. This high profile scheme demonstrates ITV's commitment to developing junior staff with potential and emphasises the importance of company- wide collaboration.

ITV is represented at Board level on Skillset, the industry sector skills council and contributes to both its core funding and the freelance training fund. ITV's representation in Skillset ensures that we have influence on the training strategy for the wider broadcasting industry including higher and further education.

Incentives

At the heart of delivering our business strategy is the ability to attract, retain and motivate the best talent to work at ITV. To do this ITV aims to offer all employees a competitive and attractive package of pay, benefits and incentives. In 2007, to improve employees' understanding of the full range of rewards (financial and non-financial) they can enjoy as an ITV employee, we issued all employees with a total reward statement.

Aligning all ITV employees with the Turnaround strategy through incentives, and giving them a chance to share in the success of ITV, is critical and is being achieved in a number of ways. We operate an annual bonus scheme for all ITV employees, which is dependent on ITV's performance against key financial targets. In addition, and specifically to support the Turnaround strategy, the following incentive schemes have been introduced:

– A long term incentive plan which could deliver value to all our employees, if ITV achieves its key long term strategic targets in the run-up to digital switchover.

– ITV's Prime Mover scheme has been relaunched as Create. This scheme now rewards any employee for new ideas that generate profit or improves the way ITV does business. This scheme now encourages employees to develop ideas, not just programme ideas, which have the potential to be exploited in a variety of ways.

– To reinforce the need for the right culture and behaviours across ITV to deliver the Turnaround strategy, the 2008 bonus targets for all of our senior managers include a significant element covering cultural impact and ITV values.

In addition, ITV continues to operate a Sharesave scheme which gives all employees the chance to save to own a stake in the Company.

In light of ITV's strategy for the next few years, annual pay reviews are being managed to strike a balance between cost-management and giving employees a sense of security through challenging commercial times. In this context, we have agreed a two year pay deal with our recognised unions for 2008 and 2009.

Diversity

ITV's Diversity Policy aims to ensure equality of opportunity in both recruitment and retention to support the best content creation and the most innovative approach to business development. ITV consistently reports on-screen portrayal performance for both news and network productions. The Company is an active participant in the major diversity forums whose focus is the employment and development of minority groups – Opportunity Now, the Employers' Forum on Disability and the Broadcasters' Disability Network.

Communication

ITV believes we are more likely to attract and keep talented employees if our own communication reflects a collaborative and open corporate culture. In 2007, we introduced blogs, podcasting and regional online pages to complement existing social networking opportunities. We also increased the amount of face-to-face contact between new executive team members and employees in local "Town Hall" events. The results of a culture survey carried out in October 2007 showed a marked improvement in awareness of the Company's strategy and direction. We were also delighted to be awarded the Communicators in Business 2007 Award for Corporate Responsibility and Award of Excellence for the ITV intranet and to be highly commended in PR Week's 2007 awards.

Financial review

Statutory results for the year ended 31 December 2007

Total revenue for the year ended 31 December 2007 was 5% lower at £2,082 million (2006: £2,181 million). Operating profit decreased to £192 million (2006: £264 million) with operating profit before amortisation and exceptional items down 17% at £311 million (2006: £375 million).

Our reportable segments have been redefined in 2007 following the adoption of IFRS 8, with 2006 numbers restated as appropriate.

	2007 £m	2006 £m	Change £m
Broadcasting revenue	**1,738**	1,797	(59)
Broadcasting EBITA	**244**	296	(52)
Global content revenue	**244**	281	(37)
Global content EBITA	**90**	88	2
Online revenue	**33**	23	10
Online EBITA	**(12)**	1	(13)
Other revenue	**67**	80	(13)
Other EBITA	**(11)**	(10)	(1)
Total revenue	**2,082**	2,181	(99)
Total EBITA	**311**	375	(64)

Note: EBITA is stated before operating exceptional items.

The table above includes the revenue of disposed businesses (021 and Granada Learning) of £8 million in 2006 within the "Other" Segment. These businesses were sold in 2006.

Broadcasting

Broadcasting revenues

Broadcasting revenues comprise NAR, sponsorship income, interactive revenues (PRS and Red Button), ITV Play, SDN and other revenues.

Total ITV plc NAR decreased by 0.3% during the year to £1,489 million (2006: £1,494 million).

	2007 £m	2006 £m	Change £m
ITV1	**1,224**	1,281	(57)
Multichannel NAR	**209**	157	52
GMTV	**56**	56	–
ITV plc NAR	**1,489**	1,494	(5)

ITV1's NAR in the year was £1,224 million (2006: £1,281 million), £57 million lower than 2006. This reduction was almost offset by the strong performance of ITV2, ITV3 and ITV4 which, together with Men and Motors and Citv, contributed 33% year-on-year growth of £52 million, resulting in total NAR of £209 million (2006: £157 million) across these channels.

ITV's NAR is a function of audience share which is measured in terms of commercial impacts, prevailing advertising market conditions and television's share of that market.

2007 was a good year for the television advertising market, with growth of 3.1% compared to a decline of 4.9% in 2006. The decrease of 4.4% in ITV1's NAR was a significantly better performance than in the prior year and was achieved despite the considerable effect of CRR following the 10.5% decline in ITV1 SOCI in 2006. ITV1 adult SOCI declined just 3.3% to 32.0% in 2007. In 2007, ITV family's adult SOCI on UK television was 41.7% (2006: 42.2%).

Sponsorship income increased by 6% in 2007 to £56 million (2006: £53 million) due to price increases as the cost of sponsorship moves closer to airtime value and also the successful sponsorship of new programmes and events, such as the 2007 Rugby World Cup.

SDN revenues grew strongly in the year, increasing by 44% in 2007 to £36 million (2006: £25 million).

Other broadcasting revenues of £157 million (2006: £225 million) include airtime sales on behalf of third-parties, sales of ITV programming by the ITV Network Centre to Channel 3 licences not owned by ITV and ITV Play and interactive transactions including those from GMTV. Revenues were lower than in the prior year largely because of the significant reduction in PRS revenues.

Broadcasting schedule costs

Total ITV schedule costs increased by £17 million in 2007 to £1,087 million (2006: £1,070 million). This breaks down as follows:

	2007 £m	2006 £m	Change £m
ITV1	**837**	840	(3)
Regional news and non-news	**114**	119	(5)
Total ITV1 costs	**951**	959	(8)
ITV2, ITV3, ITV4, Citv, M&M	**101**	75	26
GMTV	**35**	36	(1)
Total schedule costs	**1,087**	1,070	17

Licence fees

Licence fees comprise both a fixed annual sum (the cash bid) and a variable element representing a percentage of the Group's ITV1 and GMTV NAR and sponsorship income (PQR Levy). The PQR Levy is reduced by the percentage of homes which receive ITV1 in digital format. The digital licence rebate for 2007 is calculated on a weighted average digital penetration of 78% (2006: 70%).

	2007 £m	2006 £m	Change £m
Cash bid payment	**4**	4	–
PQR Levy	**180**	187	(7)
Digital rebate	**(140)**	(140)	–
Total	**44**	51	(7)

The payment will continue to fall as digital penetration increases.

In 2006 the digital rebate includes £6 million relating to the agreement of prior year returns with Ofcom.

Broadcasting EBITA

The Broadcasting segment EBITA before exceptional items for 2007 fell by £52 million to £244 million (2006: £296 million). This was primarily due to a decline in ITV1 NAR reflecting 2006 on-screen performance, PRS issues and increased investment in digital channels.

Global Content

Global Content revenues	2007 £m	2006 £m	Change £m
Production for other broadcasters	**111**	138	(27)
Distribution and exploitation	**114**	123	(9)
Resources	**19**	20	(1)
External revenues	**244**	281	(37)
Internal revenues	**320**	351	(31)
Total Global Content revenues	**564**	632	(68)

The table above includes revenues from 12 Yard, acquired in December 2007 and Jaffe/Braunstein Entertainment, acquired in May 2007. These totalled £7 million.

Global content revenue includes original productions for the UK and international markets, the distribution and exploitation of internally generated and acquired rights, and studios and facilities revenue.

Programming made by ITV Productions for ITV channels is not included in the reported total revenue as it represents an internal programming cost of sale and in 2007 this internal programming amounted to £320 million of ITV network programme spend (2006: £351 million).

In 2007, total external sales of £244 million (2006: £281 million) included original productions for other broadcasters of £111 million (2006: £138 million), distribution and exploitation sales of £114 million (2006: £123 million) and revenue from the hire of studio and technical facilities of £19 million (2006: £20 million). The fall in revenues was partly due to the refreshment of the ITV1 schedule which led to the ceasing of production of eight ITV Productions shows and the termination of children's production. Personnel issues also temporarily affected drama commissions.

Global Content profits were maintained in 2007 at £90 million (2006: £88 million).

Online

Online revenues continued to grow in 2007 and totalled £33 million for the year (2006: £23 million). This is made up of the following revenue streams:

	2007 £m	2006 £m	Change £m
itv.com and other*	**11**	7	4
Friends Reunited	**22**	16	6
Total Online revenues	**33**	23	10

* includes itvlocal.com, ITV Mobile and other revenues.

Revenues increased by 44% in the year, with major contributions from Friends Reunited and itvlocal.com. Online 2007 EBITA before exceptional items fell to a £12 million loss (2006: £1 million profit) due to the set up costs of relaunching itv.com and the full roll out of itvlocal.com nationally.

Other

Revenues from outside of the main segments for 2007 were revenues from Carlton Screen Advertising (CSA) of £67 million (2006: £72 million). In 2006, £8 million of revenue was earned from Granada Learning and 021. In 2007 CSA EBITA contribution was a loss of £11 million due to a decline in cinema advertising revenues and high minimum guarantee payments (2006: loss of £10 million, including a £3 million loss from Granada Learning).

Exceptional items

The operating exceptional items in the year total £35 million and include £18 million relating to PRS fines and reimbursements costs, £9 million CSA onerous contract provision as a result of falling revenues and minimum guarantee commitments and £8 million reorganisation and integration costs relating to the efficiency programme referred to on page 29.

Net financing costs

Financing income	2007 £m	2006 £m
Interest income on bank deposits	**30**	20
Expected return on defined benefit pension plan scheme assets	**152**	144
Change in fair value of financial liabilities designated at fair value through profit or loss	**14**	–
Foreign exchange gain	**–**	4
Other interest receivable	**4**	2
	200	170

Financing costs	2007 £m	2006 £m
Interest expense on financial liabilities measured at amortised cost	**(54)**	(35)
Change in fair value of financial liabilities designated at fair value through profit or loss	**–**	(31)
Foreign exchange loss	**(42)**	–
Interest on defined benefit pension plan obligations	**(134)**	(126)
Other interest expense	**(3)**	(4)
	(233)	(196)
Net financing costs	**(33)**	(26)

The increase in net financing costs is primarily due to the full year impact of the £250 million and €500 million bonds issued in October 2006, partially offset by fair value gains on interest rate swaps. These gains include £42 million of cross-currency swap movements which offset the foreign exchange loss on the €356 million and €500 million bonds.

Investment income

Investment income of £1 million comprises dividend income from our holding in SMG plc. The 2006 £3 million of income also included dividends from our former holding in Seven Network in Australia.

Gain on sale of properties

The £9 million gain on sale of properties in the year principally arose from the sale of properties in Southampton, Birmingham and Newbury.

Gain on sales of non-current assets and investments

During the year the disposal of non-core businesses and investments resulted in a gain of £43 million. The sale of the investment in Liverpool Football Club and Athletic Grounds plc resulted in a gain of £7 million. The sale of the Group's investment in Arsenal Holdings plc, along with an option over the Group's 50% interest in Arsenal Broadband Ltd, resulted in a gain of £28 million. Negotiations for the sale of Arsenal Broadband Ltd are continuing. A profit on sale of £5 million was obtained from the sale of ITFC and £3 million from the disposal of our investment in MUTV. In addition to the above, the Group also disposed of certain assets connected to a transmission outsourcing arrangement for £4 million resulting in a nil gain or loss being booked.

Offsetting these disposal profits is a £26 million impairment relating to our holding in SMG plc which has experienced a significant decline in its share price since October 2007.

Tax

The effective rate of tax on profit before tax is 27%. The underlying rate of tax on operating profits is 31% as shown below.

Underlying rate of tax	£m
Operating profit before exceptional items, amortisation and share of profits of joint ventures and associates	
– Profit before tax as reported	188
– Exceptional items (net)	9
– Amortisation	84
– Share of profits of joint ventures and associates	(2)
	279
Underlying tax charge	
– Tax charge as reported	50
– Net credit for exceptional items	6
– Credit in respect of amortisation	19
– Credit in respect of prior period items	11
	86
Underlying rate of tax	31%

Earnings per share

Basic earnings per share are 3.5 pence (2006: 5.5 pence). Adjusted basic earnings per share before exceptional items, amortisation and tax adjustments are 5.0 pence (2006: 6.3 pence).

Dividend

The Board is proposing a final dividend of 1.8 pence per share which is unchanged on the 2006 dividend. The total dividend proposed for the period is therefore 3.15 pence which is flat year-on-year and is covered 1.6 times by the adjusted basic earnings per share (before exceptional items, amortisation and tax adjustments) of 5.0 pence.

Intangible assets

Total intangible assets at 31 December 2007 are £3,873 million (2006: £3,895 million) being principally goodwill and acquired intangible assets. Goodwill balances are not amortised but are instead subject to annual impairment testing. Other intangible assets are amortised over their useful lives. An impairment charge of £28 million has been recognised in 2007 relating to CSA as a result of falling revenues and minimum guarantee commitments. £20 million of the impairment relates to goodwill and the remaining £8 million to other intangible assets. The total amortisation charge for the year including the CSA impairment is £84 million (2006: £76 million). The goodwill and intangible asset additions in the year principally relate to the acquisitions of 12 Yard and Jaffe/Braunstein Entertainment and capitalised software development costs.

Cash flow and net debt

The cash generated from operations was £286 million (2006: £342 million) and was down on the prior period due to a £64 million decrease in operating profit before exceptional items and amortisation and a working capital outflow of £29 million versus an outflow of £36 million in 2006. The 2007 working capital outflow was primarily due to payments for acquired US films and series.

Net cash interest paid on the Group's net debt position was £62 million. Net tax receipts of £18 million reflect taxation repayments from prior periods more than offsetting payments made relating to the current period. The equity dividends paid comprise the 2006 interim and final dividends of £52 million and £70 million respectively. Expenditure on plant, property, equipment and intangible assets totalled £59 million. This included the investment in our new itv.com site. During the year the Group acquired 12 Yard for an initial net cash consideration of £26 million and a 51% share in Jaffe/Braunstein Entertainment for £3 million. Loans granted to associates and joint ventures include loans to Freesat, ITN and Mammoth.

Proceeds from the sale of assets held for sale of £94 million, sale of subsidiaries (net of cash disposed) of £5 million and sale of property, plant and equipment of £4 million are from the disposal of the following assets:

	£m
Liverpool Football Club and Athletic Grounds plc	17
Arsenal Holdings plc and an option over the Group's investment in Arsenal Broadband Limited	50
MUTV Limited	3
Properties	20
Transmission assets	4
Assets held for sale	94
Independent Television Facilities Centre Limited	5
Sale of subsidiaries (net of cash disposed)	5
Properties	4
Sale of property, plant and equipment	4
Total proceeds	103

The principal movements in net debt in the year are shown in the table below:

	£m	£m
Net debt at 31 December 2006		(734)
Cash generated from operations	286	
Net interest paid	(62)	
Taxation net receipts	18	
Equity dividends paid	(122)	
Expenditure on property, plant, equipment and intangible assets	(59)	
Acquisitions of subsidiaries (net of cash)	(29)	
Loans granted to associates and joint ventures	(10)	
Proceeds from assets held for sale, property, plant and equipment and sale of subsidiaries	103	
Other movements	(26)	
		99
Defined benefit pension deficit funding		(33)
Net debt at 31 December 2007		(668)

During the year, a €356 million exchangeable bond and a £200 million Eurobond matured resulting in a combined cash outflow of £441 million.

Treasury operations and policies

A central department in London manages the Group's treasury operations, following policies and procedures laid down by the Board. The most significant treasury exposures faced by ITV are raising finance, managing interest rate and currency positions and investing surplus cash in high quality assets. Treasury policies have been approved by the Board for managing each of these exposures including levels of authority on the type and use of financial instruments. Transactions are only undertaken if they relate to underlying exposures. The treasury department reports regularly to the Audit Committee and treasury operations are subject to periodic independent reviews and internal audit. ITV has established and retains strong relationships with a number of banks to ensure a balanced spread of risk and to facilitate future funding requirements.

Set out below are ITV's principal treasury policies:

- Financing: ITV's financing policy is to fund itself long term using debt instruments with a range of maturities. It is substantially funded from the UK and European capital markets and has bank facilities from the UK syndicated debt market;
- Interest rate management: the Group's interest rate policy is to have fixed interest rate debt of between 50% and 70% of its total net indebtedness at fixed rates over the medium term in order to provide a balance between certainty of cost and benefit from low floating rates. ITV uses interest rate swaps and options in order to achieve the desired mix between fixed and floating;
- Currency management: the Group's foreign exchange policy is to hedge foreign currency-denominated costs at the time of commitment and to hedge a proportion of foreign currency denominated revenues on a rolling twelve month basis. The policies significantly reduce the Group's earnings and balance sheet exposures to changes in exchange rates;
- Investment in cash: ITV operates strict investment guidelines with respect to surplus cash and the emphasis is on preservation of capital. Counterparty limits for cash deposits are largely based upon long term ratings published by the major credit rating agencies. Deposits longer than three months require the approval of the Management Committee of the Board.

Pensions

The Group's pension schemes are run independently by the schemes' trustees. All pension scheme assets are administered separately by the trustees using a number of external fund managers and custodians.

Defined contribution scheme arrangements are offered to all new joiners and a choice of investment styles is available to them.

Defined benefit schemes are funded on a long term basis with advice from the scheme actuaries. Actuarial valuations of the assets and liabilities of the defined benefit schemes (upon which funding is based) are carried out by the trustees at least every three years. The main defined benefit scheme is divided into three segregated sections: A, B and C.

1. Actuarial valuations
Actuarial valuations of sections B and C of the main defined benefit scheme were carried out as at 1 January 2007 and, on the bases adopted by the trustees, both were in surplus with a combined surplus of £23 million or 5% of the liabilities in those sections. An actuarial valuation of section A of the main defined benefit scheme is due as at 1 January 2008 and the trustees and actuary are currently working on that.

2. Deficit funding
The Group is currently making deficit funding payments into section A of the main defined benefit scheme. In 2007 an amount of £33 million was paid by group companies as such deficit funding. No deficit funding payments are currently being paid into either section B or C of the main defined benefit scheme. When the actuarial valuation of section A of the main defined benefit scheme has been completed, the Company and trustees will discuss the terms of any recovery plan that may be appropriate, including the amount and timing of any future deficit funding.

3. IAS 19
The Group's defined contribution schemes gave rise to an operating charge in 2007 of £3 million (2006: £2 million).

IAS 19 accounting for the Group's defined benefit schemes values the annual cost and the assets and liabilities of the schemes on disclosed bases, and includes these values in the Consolidated income statement and Consolidated balance sheet. In 2007 the IAS 19 operating charge for defined benefit schemes was £15 million (2006: £25 million). The excess of the expected return on scheme assets, less the interest cost on liabilities, gave rise to a net financing credit of £18 million (2006: £18 million). The aggregate IAS 19 deficit on defined benefit schemes at 31 December 2007 was £112 million (2006: £285 million). The reduction in the IAS 19 deficit during the year was the result principally of an increase in the discount rate applied upon valuing scheme liabilities. An actuarial gain of £111 million has been recognised as a credit to reserves in the consolidated statement of recognised income and expense.

4. Defined benefit accruals
The Group's defined benefit schemes are closed to new members. There have been historically a variety of accrual rates and normal pensionable ages for various groups of defined benefit scheme members, depending upon the separate schemes that they were originally members of and which are now merged into the Group's main defined benefit scheme. During 2007, and following a major staff consultation process, the principal accrual factors were standardised and this was the principal reason behind the reduced IAS 19 operating charge referred to above. The changed factors are:

- Accrual rate $1/60$ pa (previously mainly $1/50$);
- Normal pensionable age 63 (previously mainly 60);
- Employee contribution rate to rise to 8% (previously mainly 5%).

5. Mortality assumptions
A topical issue for defined benefit pension schemes is mortality risk. In 2004 the Trustees of the ITV Pension Scheme conducted an in-depth analysis of the actual mortality experience of the Scheme. That analysis was updated in 2007 with similar results. The mortality factors that the Group has used for its IAS 19 valuation are similar to those used by the Trustees for their valuation work and reflect that analysis of the actual mortality experience. Continued longevity improvement is assumed up to 2020 for current pensioners and up to 2035 for other members.

The forecast for life expectancy for a 65 year-old member based upon these factors is:

	Men	Women
Current pensioners	84.8	87.8
Other members	85.8	88.7

The Group and Trustees will continue to review the mortality assumptions based upon both actual experience in the scheme and the guidance of the actuarial profession including the consultation launched by the Pensions Regulator in February 2008.

6. Trustees' investment strategy
The Trustees have been and are continuing to review the investment strategy for the main defined benefit scheme. This has involved the use of derivative instruments to hedge partial exposures to movements in interest rates, inflation and foreign exchange rates and may involve further changes to the asset allocations.

International Financial Reporting Standards

The Group has adopted International Financial Reporting Standards as adopted by the EU. The parent Company financial statements continue to be presented under UK GAAP. They have been included in this report after the results of the consolidated group.

Forward look

This Business review has detailed how ITV is implementing its Turnaround strategy with the aim of delivering sustainable growth in terms of revenues and earnings. Over the next five years, we aim to achieve stretching targets for each of our core business segments. In Broadcasting, we are targeting a share of commercial impacts across the ITV family of channels in excess of 38.5% in 2012. Over the same period, we are targeting Global Content annual revenues growing to £1.2 billion. We aim to generate £150 million in annual revenues in Online by 2010. Across the Company as a whole, we are seeking to deliver annual compound annual revenue growth of between 3–5% to 2010, then rising to 5% to 2012.

The strategy is ambitious, but we believe achievable in a rapidly changing market context. 2008 will see some critical developments for the UK media sector in general and for ITV in particular.

The process of digital switchover will get fully underway later this year, following last year's first pilot. The ITV Border region will start the switch, completing the process in 2009. Although digital switchover is upon us, the pace of digital take up is actually slowing, with over 85% of UK homes already having made the transition. To this extent the digital fragmentation effect on ITV1 viewing in particular should continue to ease.

The Ofcom second review of public service broadcasting will run throughout 2008. ITV has set out its plans for modernising its regional news services in 2009, which Ofcom will consider. But there are also much wider questions about sustaining commercial public service broadcasting – across ITV and Channel 4 – in the digital age. The Government has confirmed its own intention to review public service broadcasting, building on Ofcom's work, and it is possible that this could lead to further broadcasting legislation around the end of this decade.

A separate regulatory review of the CRR mechanism is being undertaken by the OFT, working with Ofcom. The review process is expected to run into 2009, allowing any recommendations to take effect for the trading round for 2010. The market has changed markedly since CRR was introduced in 2003. There is more competition between TV and different media, but the value of the mass audience delivered by ITV1 is perhaps greater than ever. ITV will participate actively in the review and looks forward to an outcome which maximises its ability to invest in programming to deliver UK advertisers the mass audiences that they demand.

In Broadcasting, we estimate that for the first quarter of 2008 ITV plc's total television advertising revenue will be up 1.9% at £357 million, with ITV1 advertising down 0.5% at £290 million. The total television market we estimate will be down around 0.7% over the same period. For the first time in several years ITV is outperforming the total television market, reflecting our strong performance on-screen last year and into 2008, together with the increasing confidence of advertisers in ITV.

Having been created in late 2007, ITV's new Global Content segment has made promising early progress, both in the UK market and internationally, with a high volume of exciting productions on-screen, in production or being developed. 2008 will also see significant developments in terms of Online, notably the launch of the broadband archive service with BBC Worldwide and Channel 4 and the development of Friends Reunited, building on its success to date. During the year, we also expect to take an active role in the launch of a Freesat service with the BBC and the development of free-to-air high definition television services.

In a rapidly changing market of tremendous challenge and opportunity, control and exploitation of content – across UK television, in other territories and via other media – represents the key to the Company's turnaround.

Glossary of terms

3G – third generation mobile phone network capable of transmitting high data levels including video

Analogue television – UK terrestrial television broadcasting format supporting five channels (BBC1, BBC2, ITV1, Channel 4 and five)

BARB – Broadcasters' Audience Research Board – owned by broadcasters and advertisers and providing data on viewing statistics in UK households

Cable – cable television – often also providing telephony and broadband internet services

Catch-up channel – a channel transmitted usually with a one hour delay, and showing identical programmes to a main channel eg ITV2+1

Channel 3 (licences) – the 15 regional licences and one national licence awarded to transmit Channel 3 across the UK. Eleven of the regional licences are held by the ITV Group. ITV also owns 75% of the national licence GMTV

Combined Code – the Combined Code on corporate governance published by the Financial Reporting Council

Commitment – proportion of people who said that any of the ITV channels were either their favourite channel or one of their favourite channels

Communications Act 2003 – the Act of Parliament under which the majority of UK television broadcasting is governed

Contract Rights Renewal (CRR) – the remedy agreed by Carlton, Granada and ITV in 2003 as a precondition of the merger of Carlton and Granada and which governs the way in which ITV1 airtime is sold by ITV to its advertising customers

Corporate Responsibility (CR) – term used to cover all areas of responsible behaviour by companies including ethical behaviour, corporate governance and environmental impact

Cross Promotion – information given about programming on a channel by other channels in the same family, either by on air announcement or specific programme trailers

Defined benefit pension scheme – a pension scheme for employees under which the ultimate pension benefit is usually related to salary, either at date of retirement/leaving or at date of accrual

Defined contribution pension scheme – a pension scheme for employees under which the ultimate pension is usually related to the contributions paid into the scheme by employee and employer and to the investment returns earned on such contributions up to retirement

Dow Jones Sustainability Index – an index compiled by Dow Jones based upon CR measures assessed by them

Digital Switch Over (DSO) – the point at which the UK terrestrial analogue transmissions will cease and DTT will take over – planned to be a rolling programme by region across the UK finishing in 2012

Digital Terrestrial Television (DTT) – the digital transmission system (currently comprising six multiplexes each capable of transmitting between six and ten television channels), that is often referred to as Freeview, will fully replace analogue transmissions at DSO

Freesat – a platform broadcasting digital channels by satellite accessible to viewers without paying a subscription.

Freeview – the name by which UK digital terrestrial television is often known

High Definition/HD Services – channels or services broadcast in substantially higher resolution than standard, providing improved picture quality

Impact or commercial impact – one advertising impact is one viewer watching one 30 second commercial (usually referred to as rate card weighted and relating to a specific demographic group). Unless otherwise stated, commercial impact figures cited throughout this report refer to adult commercial impacts based on BARB data.

ITFC – Independent Television Facilities Centre Limited

ITV1 adult SOCI – SOCI for the adult demographic delivered on ITV1

Net Advertising Revenue (NAR) – the amount of money received by the broadcaster as payment for spot advertising net of any commission paid

Ofcom – the regulator established to govern UK broadcasting as well as other areas of the media and telephony industry

OFT – the Office of Fair Trading is the UK's principal competition regulator

Peak-time – the evening period of heaviest television viewing activity normally between 7.00 pm and 10.30 pm

PVRs – personal video recorders are machines able to record broadcast television programmes to a storage medium (usually a hard disk) from which it can be played back to a television, rewound/fast forwarded or paused and then continued

Product placement – product placement is the inclusion of, or reference to, a product or service within a programme in return for payment or other valuable consideration to the programme maker or broadcaster

PRS – premium rate services – usally a telephone number charging a higher rate than normal local calls and often used by television channels for participation TV and quizzes. PRS may be accessed via the red button on a TV remote control

Public Service Broadcasting (PSB) – the considerable requirements placed on certain broadcasters including obligations to transmit particular material which may not be wholly commercial (eg religion and current affairs) within their schedules

Rate-card – in relation to ITV1, the comparative pricing for advertisements of different time duration (where the comparative price may not be directly proportionate to duration)

Share of Broadcast (SOB) – the term used to define the share of total UK television advertising revenue which is taken by one channel or group of channels

Share Of Commercial Impacts (SOCI) – the term used to define the share of total UK television commercial impacts which is delivered by one channel or group of channels. Unless otherwise stated, SOCI figures cited throughout this report refer to share of adult commercial impacts based on BARB data.

Share of viewing / audience share – the share of the total viewing audience during a defined period (for example, for a slot, hour, peak-time or full calendar year) gained by a programme or channel. Unless otherwise stated, audience share figures cited throughout this report refer to share of viewing for all individuals based on BARB data

Spontaneous Consideration – proportion of people who said that ITV1 was a channel they would consider watching when they sat down to watch TV

Weighted Impacts/Messages – impacts can be weighted to take account of differing commercial durations. Weighted impacts are usually reported as "30 second equivalents", where each commercial length is given a weighting value relative to a 30 second commercial

Governance

Board of Directors






Michael Grade CBE

Position: Executive Chairman

Appointment to the Board: 8 January 2007

Age: 64 (8 March 1943)

Committee membership: Management

External appointments: Non-executive chairman of Pinewood Shepperton plc (2000) and Ocado Limited (2006). Non-executive director of Charlton Athletic plc (1997). Trustee of the David Lean BAFTA Foundation (2005). Director of The International Academy of Television Arts and Sciences (2007)

Previous experience: Chairman of the BBC (2004–2006). Non-executive chairman of Hemscott plc (2000–2006). Non-executive director of SMG plc (2003–2004), Camelot Group plc (2000–2004) and Leisure & Media VCT plc (2001–2004). Chairman and Chief Executive of First Leisure plc (1997–1999). Chief executive of Channel 4 (1988–1997). Director of programmes then managing director, Television (Designate) BBC (1986–1988), Controller of BBC1 (1984–1986). President of Embassy Television, USA (1981–1984). Director of programming, London Weekend Television (1973–1981). Fellow of the Royal Television Society and vice-president of BAFTA

Sir George Russell CBE

Position: Deputy Chairman

Appointment to the Board: 2 December 2003, appointed to the board of Granada in 2002

Age: 72 (25 October 1935)

Committee membership: Audit, Nomination

External appointments: Director of The Wildfowl and Wetlands Trust (2002) and chairman of the Commission on Public Service Reform, North East (2007)

Previous experience: Chairman of 3i Group plc (1992–2001), Northern Development Company (1994–2002), Camelot Group plc (1995–2002), Independent Broadcasting Authority and its successor, the Independent Television Commission (1989–1996) and Independent Television News Limited (1988–1989). Deputy chairman of Channel 4 (1987–1989). Non-executive director of Northern Rock plc (1996–2006). Non-executive director of Taylor Woodrow (1992–2004). Non-executive director of British Alcan Aluminium plc (1997–2001) and chief executive (1982–1985). Chief executive and then chairman of Marley plc (1986–1997)

Qualifications: BA

Sir James Crosby

Position: Senior independent director

Appointment to the Board: 3 December 2003, appointed to the board of Granada in 2002

Age: 51 (14 March 1956)

Committee membership: Remuneration, Nomination (Chairman)

External appointments: Senior independent director of Compass Group PLC (2007). Deputy chairman of the Financial Services Authority (2007)

Previous experience: Chief executive of HBOS plc (1999–2006)

Qualifications: FFA, BA

Dawn Airey

Position: Managing Director of Global Content

Appointment to the Board: 28 February 2008, joined the Group in 2007

Age: 47 (15 November 1960)

Committee Membership: Management

External Appointments: Non executive director of Easyjet plc (2004). Director of the Community Channel (2004), the Media Trust (2004) and the British Library (2007)

Previous Experience: Managing director, Channels and Services, Sky (2006–2007). Managing director, Sky Networks (2003–2006). Joined Central TV in 1985 as a management trainee then director of Programme Planning (1989–1993). Controller of Children's and Daytime Programmes, ITV Network Centre (1993–1994) and Controller of Arts and Entertainment, Channel 4 (1994 – 1996). Director of Programmes, Channel 5 (1996 – 2000) and chief executive (2000 – 2003)

Qualifications: MA

Mike Clasper CBE

Position: Non-executive director

Appointment to the Board: 3 January 2006

Age: 54 (21 April 1953)

Committee membership: Audit (Chairman), Nomination

External appointments: Member of the Investor Board of EMI Group (2007). Operational managing director of Terra Firma (2008). Chairman of the West London Consortium and of the Marketplace Impact Taskforce of Business in the Community. Founder member of the Corporate Leaders Group on Climate Change. Member of the National Employment Panel

Previous experience: Chief executive of BAA plc (2003–2006), deputy chief executive BAA plc (2001–2003). President of Global Home Care, Procter & Gamble (1999–2001)

Qualifications: MA

John Cresswell

Position: Chief Operating Officer and Finance Director

Appointment to the Board: 16 January 2006, joined the Group in 2000

Age: 46 (2 May 1961)

Committee membership: Management

Previous experience: Non-executive director of The Liverpool Football Club and Athletic Grounds plc (2003–2007). Finance director Meridian Broadcasting Limited (1993–1995), finance director United Broadcasting and Entertainment Limited (1996–1998) and chief operating officer (1998–2000). Director of operations Granada Content (2000–2001), chief operating officer and finance director Granada Content (2001–2004) and chief operating officer, Granada and ITV plc (2004–2006)

Qualifications: BSc, ACA






Rupert Howell

Position: Managing Director of ITV Brand and Commercial

Appointment to the Board: 28 February 2008, joined the Group in 2007

Age: 51 (6 February 1957)

Committee Membership: Management

External Appointments: Director of the Advertising Association (2007)

Previous Experience: Founded advertising agency Howell Henry Chaldecott Lury (1987) which was sold to Chime Communications plc where he became chief executive (1997–2002). President, EMEA and chairman, UK and Ireland Group of McCann Erickson UK Group Limited (2003–2007), regional director, EMEA (2006–2007). Director of the Institute of Practitioners in Advertising (1992–2000), president (2000–2001). President of the European Association of Communications Agencies (2006–2007)

Qualifications: BSc Management Sciences, FIPA

Heather Killen

Position: Non-executive director

Appointment to the Board: 8 August 2007

Age: 49 (30 October 1958)

Committee membership: Remuneration, Nomination

External appointments: Partner of Hemisphere Capital LLP and a director of Hemisphere Cap (UK) Limited (2002)

Previous experience: Non-executive director of Tersus Energy plc (2006–2007). Senior vice president, International Operations, (1999–2001), vice president International (1998–1999), managing director, European Operations (1996–1997) Yahoo! Inc. Director, European Online Services, Ziff Davis Publishing Company (1992–1996). Associate, Media and Telecommunications Corporate Finance Group, Salomon Brothers, Inc (1989–1992)

Qualifications: BA, MBA

John Ormerod

Position: Non-executive director

Appointment to the Board: 18 January 2008

Age: 59 (9 February 1949)

Committee membership: Audit, Nomination

External appointments: Non-executive director and chairman of audit committee Computacenter plc (2007). Senior independent director and chairman of audit committee Misys plc (2005). Non-executive director and chairman of audit committee Gemalto NV (2006). Member of audit and retail risk control committees HBOS plc (2004). Non-executive director of BMS Associates Limited (2004); AMG (Holdco) Limited (2007); and Millen Group Limited (2007). Trustee of The Roundhouse Trust (2003) and The Design Museum (2006)

Previous experience: Chairman of Walbrook Group (2004–2007). Chairman of audit committee Transport for London (2004–2006). Practice senior partner, London, Deloitte & Touche (2002–2004). Regional managing partner, UK and Ireland and senior partner, UK, Arthur Andersen (2001–2002). Held various positions within Arthur Andersen from 1970

Qualifications: MA, FCA

Sir Brian Pitman

Position: Non-executive director

Appointment to the Board: 2 December 2003, appointed to the board of Carlton in 1998

Age: 76 (13 December 1931)

Committee membership: Remuneration, Nomination

External appointments: Non-executive director of The Carphone Warehouse Group PLC (2001), Singapore Airlines Limited (2003), Virgin Atlantic Airways Limited (2004), Virgin Atlantic Limited (2004) and Virgin Travel Group Limited (2004). Director of Acturis Limited (2000) and The White Ensign Association Limited (1999). Senior adviser to Morgan Stanley (2001)

Previous experience: Chief executive of Lloyds TSB Group plc (1983–1997) and chairman (1997–2000). Non-executive chairman of Next Plc (1998–2002). Non-executive director of UbiNetics Holdings Limited (2002–2005) and Tomkins plc (2000–2007).

Qualifications: FCIB

Baroness Usha Prashar CBE

Position: Non-executive director

Appointment to the Board: 7 February 2005

Age: 59 (29 June 1948)

Committee membership: Remuneration (Chairman), Nomination

External appointments: Chairman of the Judicial Appointments commission (2005) and the Royal Commonwealth Society (2002)

Previous experience: Chancellor of De Montfort University (1996–2006). First Civil Service Commissioner (2000–2005). Non-executive director of Unite Group plc (2001–2004), Channel Four Television Corporation (1992–1999). Chairman of the National Literacy Trust (2000–2005). Member of the BBC Educational Broadcasting Council (1987–1988), the Arts Council of Great Britain (1994–1997) and the Council Royal Holloway College London (1992–1997). Trustee of BBC World Service Trust (2002–2005)

Qualifications: BA, Diploma in Social Administration

Agnès Touraine

Position: Non-executive director

Appointment to the Board: 8 August 2007

Age: 53 (18 February 1955)

Committee membership: Audit, Nomination

External appointments: Non-executive director of Cable & Wireless plc (2005). President of Act III Consultants

Previous experience: Non-executive director of Lastminute.com plc (2003–2005). Chairman and chief executive of Vivendi Universal Publishing (2001–2003). Chairman and chief executive of Havas (2000–2001), and chief executive of Havas/Liris Interactive (1998–2000), and chairman and chief executive of Liris Interactive (1995–1998). Head of Strategy and divisional CEO Lagardère Group (1985–1995). Engagement manager and consultant at McKinsey (1981–1985)

Qualifications: BA, MBA

Directors' report

The directors present their report together with the audited consolidated and parent company financial statements for the year ended 31 December 2007. The comparative period is for the year ended 31 December 2006.

Business review and results for the year

Under section 234 ZZB of the Companies Act 1985, the Company is required to produce a fair review of the business, including a description of the principal risks and uncertainties facing the Company. This is set out in the Business Review on pages 18 to 49. The Business Review is incorporated in this report by reference.

The results for the year are set out on page 57. Profit for the year after tax was £138 million (2006: £222 million).

Principal transactions and post balance sheet events

On 6 February 2007 the Company announced that it had given an irrevocable undertaking to sell its 9.99% holding in Liverpool Football Club and Athletic Grounds plc. The offer for the shares went unconditional in May 2007 when the Company received a payment of £17 million.

On 5 April 2007 the Company announced that it had sold its 9.99% holding in Arsenal Holdings plc along with an option over its 50% interest in Arsenal Broadband Limited for a total cash consideration of £50 million.

All disposals carried out in the year are part of the Group's disposal programme of non-core assets that has been ongoing since the merger in 2004.

On 4 December 2007 the Company acquired independent production company 12 Yard for which it paid an initial cash consideration of £27 million with a further consideration of up to £9 million payable contingent on future performance and the retention of key employees.

On 4 January 2007 the Company repaid an unsecured €356 million Exchangeable Bond and on 6 June 2007 repaid an unsecured £200 million Eurobond at par.

Post balance sheet events are described in note 34 of these financial statements.

Dividends

A final dividend on the ordinary shares is proposed for the year ended 31 December 2007 of 1.8 pence per share payable on Tuesday 1 July 2008 to shareholders on the register at the close of business on Friday 18 April 2008. The shares will be quoted ex dividend from Wednesday 16 April 2008.

The total dividends paid and proposed for the year ended 31 December 2007 are therefore as follows:

	2007	2006
Interim dividend	**1.35p**	1.35p
Final dividend	**1.80p**	1.80p
Total	**3.15p**	3.15p

The Dividend Reinvestment Plan is being offered to the holders of ordinary shares in respect of the final dividend and further information about the Plan is given on page 114.

Substantial shareholdings

As at 5 March 2008 the Company had received notifications from the following companies and institutions of the voting interests of themselves and their clients in 3% or more of the issued ordinary share capital (carrying rights to vote in all circumstances) of the Company (numbers of shares and percentage interests are as at the notification dates).

	Shares	%
Sky Holdings Ltd (a subsidiary of British Sky Broadcasting Group plc)	696,046,825	17.90
Brandes Investment Partners, L.P.	321,967,023	8.24
AXA S.A	201,017,634	5.17
Legal and General Investment Management Ltd	159,792,689	4.10
Aviva plc	117,224,424	3.01

A profile of shareholdings is set out on page 114.

Share capital

Full details of the movements in the authorised and issued share capital of the Company during the year are set out in note v. on page 96.

The Company has the authority to purchase up to 388.9 million of its ordinary shares. The authority remains valid until the 2008 Annual General Meeting, or 16 August 2008 if earlier. A resolution will be put to shareholders to renew the authority at the 2008 Annual General Meeting. The Company has a discretionary trust funded by loans to acquire shares for the potential benefit of employees of the Group. Details of shares held by the trust at 31 December 2007 are set out in note 29 to the accounts. During the year shares have been released from the trust in respect of share award schemes for employees.

Directors
The following were directors of the Company during the year:

	Appointed	Resigned
Michael Grade	8 January 2007	
Sir George Russell		
Sir Peter Burt		8 January 2007
Mike Clasper		
John Cresswell		
Sir James Crosby		
John McGrath		17 January 2008
Heather Killen	8 August 2007	
Sir Robert Phillis		2 October 2007
Sir Brian Pitman		
Baroness Usha Prashar		
Agnès Touraine	8 August 2007	

Heather Killen and Agnès Touraine were appointed as directors on 8 August 2007. John Ormerod was appointed as a director on 18 January 2008. Dawn Airey and Rupert Howell were appointed as directors on 28 February 2008. They will retire from the Board at the Annual General Meeting on 15 May 2008 and being eligible will offer themselves for election. Sir James Crosby and Baroness Usha Prashar will retire from the Board, and being eligible, offer themselves for re-election. Heather Killen, Agnès Touraine, John Ormerod, Sir James Crosby and Baroness Usha Prashar do not have service contracts with the Company. Information about service contracts for executive directors is set out in the Remuneration report on page 109. Sir Brian Pitman has indicated that he will retire from the Board following the Annual General Meeting.

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

Directors' interests
Shareholdings in the ordinary share capital of ITV plc beneficially owned by directors and their family interests at 31 December 2007 are set out below. Details of directors' interests over ordinary shares under company share schemes are set out in the Remuneration report on pages 110 to 112.

	31 December 2007	31 December 2006 or appointment date if later
Michael Grade	**193**	193
Sir George Russell	**4,332**	4,214
Mike Clasper	**18,000**	18,000
John Cresswell	**536,066**	409,083
Sir James Crosby	**98,058**	23,058
John McGrath	**10,524**	10,236
Heather Killen	**–**	–
Sir Brian Pitman	**2,097**	2,097
Baroness Usha Prashar	**3,000**	3,000
Agnès Touraine	**–**	–

Between the end of the financial year and 5 March 2008 there were no changes in directors' interests except for the beneficial acquisition by Sir George Russell of 76 ordinary shares under the Dividend Reinvestment Plan.

Employees
The Company had 5,634 (2006: 5,788) employees as at 31 December 2007, of which 2% were employed outside of the UK. Ensuring that employees are actively engaged with the Company is an important part of our strategy and our communications strategy underpins this engagement. Employees are informed about significant business issues and the Group's performance using email, podcasts, the Company's intranet and briefing meetings at each main location. In addition the Company has a framework for consultation and information under which Communication Groups on each site have joint responsibility for maintaining a regular dialogue on all issues concerning employees.

Our highly talented employees are key to the Company's success. The Company's diversity policy which aims to ensure equality of opportunity irrespective of gender, marital status, race, origin, nationality, religious belief, disability, age, sexual orientation, or gender reassignment in recruitment, learning and development and promotion, also covers arrangements for the continued employment of and appropriate training for employees who become disabled whilst working for the Company. The policy includes a range of measures such as training in recruitment, practical support by offering 15 bursaries and over 60 traineeship opportunities across the Company and extensive diversity monitoring. The diversity strategy is cascaded from the Board through to each business area, delivering action plans addressing both "On" and "Off" screen representation of diversity and the commercial impact diversity has. The Company is a leading and active participant in the major bodies whose focus is the employment and development and on-screen representation of minority groups – the Cultural Diversity Network and Network North, Opportunity Now, the Employers' Forum on Disability of which Michael Grade is a member of the President's Group, the Broadcasters' and Creative Industry Disability Network, Stonewall and The Employers' Forum on Age.

The Company has a strong commitment to training which includes both off-the-job courses, such as technical and programme courses in camera operations, presentation skills for journalists, script writing and copyright law; in total 69,350 hours of classroom training was delivered in 2007. The Company's management development programme, "Creating Strong Leaders" was further developed in 2007. Since its launch in 2005, 796 managers have now attended a programme.

Directors' report

Employees continued
It is vital for the Company to offer a comprehensive remuneration, benefits and incentive package to help recruit and retain the best talent in the market. The range of benefits the Company offers includes a contributory pension scheme, childcare support, life assurance and an extensive employee discount scheme called ITV Deals. Details of the Company benefits are made available to all employees via the Company intranet. In 2007 the Company issued reward statements to all employees for the first time, to communicate the total reward package to ensure each employee makes the most of the range of benefits available to them. The Company incentive programmes are structured to give employees a stake in the future success of the Company. As well as a SAYE scheme open to all staff that enables them to save for shares in ITV plc, the Company operates an annual all-employee bonus linked to company performance. In 2008 a one-off all-employee long term incentive scheme is being introduced, aligned with the achievement of our Turnaround strategy objectives. The Company also operates an innovative bonus scheme that encourages employees to be creative and develop great programmes, content and new business ideas. Senior management incentives are based on achieving corporate financial targets, improvements in culture and 360 degree assessments of behaviour in keeping with our values. Further details of senior management incentives are set out in the Remuneration report on page 106.

The health and safety of employees, contractors and visitors is considered as a priority. There are well established health and safety policies and procedures in place throughout the business and these are supported by an effective training programme. Further information is given in our Corporate Responsibility report 2007.

Donations
The Company made contributions to charities and equivalent organisations amounting to £1 million in cash and £6 million in kind (£7 million) (2006: £2 million in cash and £8 million in kind (£10 million)). This does not include the donation announced in respect of PRS issues.

It is the Company's policy not to make cash contributions to any political party. However, within the normal activities of the Group's national and regional news gathering operations there are occasions when the Group may provide some hospitality at functions where politicians are present. The Group, as part of its normal industry activities, is also keen to maintain contact with all political parties to ensure that they are aware of the key issues affecting its business. The Companies Act 2006 definition of political expenditure and donations to political organisations is extremely wide and may be construed as covering such areas of the Group's normal activities. Shareholder authority for such expenditure was given at the Annual General Meeting in 2007 and a similar resolution will be proposed at the 2008 Annual General Meeting. During the year the Group made the following payments totalling £9,110 (2006: £40,787): Labour Party £4,019; Conservative Party £1,580; Liberal Democrat Party £2,869 and Plaid Cymru Party £642.

Treasury operations and financial instruments
Note 23 to the accounts gives details of the Group's financial risk management policies and related exposures.

Creditor payment policy
The Company's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction, ensure awareness of the terms and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not follow any code or standard on payment practice. The number of days' purchases outstanding for payment by the Company as at 31 December 2007 was nil days (2006: nil days).

Going concern
The directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated and parent company financial statements.

Properties
Notes 12 and 27 to the accounts gives details of the valuations of the Group's operational properties as at the balance sheet date.

Audit
The directors who held office at the date of approval of this 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution for the re-appointment of KPMG Audit Plc as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held on Thursday 15 May 2008 at 11.00 am in the Whittle Room at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of the Annual General Meeting contains an explanation of special business to be considered at the meeting.

By order of the Board

James Tibbitts
Company Secretary

200 Gray's Inn Road
London
WC1X 8HF
5 March 2008

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the consolidated and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated and parent company financial statements for each financial year. Under that law they are required to prepare the consolidated financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The consolidated financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the consolidated and parent company financial statements, the directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgments and estimates that are reasonable and prudent;
- for the consolidated financial statements, to state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, to state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent 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 parent 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the directors are also responsible for preparing a Directors' report, Remuneration report and Corporate Governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of ITV plc

We have audited the consolidated and parent company financial statements (the "financial statements") of ITV plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration report that is described as having been audited.

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 Annual Report and the consolidated and parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Remuneration report 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 55.

Our responsibility is to audit the financial statements and the part of the Remuneration report to be audited 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 whether the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Business review on pages 18 to 49.

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 review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the Remuneration report to be audited. 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 Group's and 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 and the part of the Remuneration report to be audited 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 and the part of the Remuneration report to be audited.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007;
- the parent company financial statements and the part of the Remuneration report to be audited 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
Chartered Accountants
Registered Auditor

London
5 March 2008

Financial statements

Consolidated income statement

For the year ended 31 December	Note	2007 £m	2006 Restated £m
Revenue	2	**2,082**	2,181
Operating costs before amortisation of intangible assets and exceptional items		**(1,771)**	(1,806)
Operating costs – exceptional items	5	**(35)**	(35)
Earnings before interest, tax and amortisation (EBITA)		**276**	340
Amortisation and impairment of intangible assets	13	**(84)**	(76)
Total operating costs	4	**(1,890)**	(1,917)
Operating profit		**192**	264
Financing income	8	**200**	170
Financing costs	8	**(233)**	(196)
Net financing costs	8	**(33)**	(26)
Share of profits of joint ventures and associated undertakings	14	**2**	8
Investment income		**1**	3
Gain on sale of properties (exceptional items)	5	**9**	4
Gain on sale and impairment of subsidiaries and investments (exceptional items)	5	**17**	35
Profit before tax		**188**	288
Taxation	9	**(50)**	(66)
Profit for the year		**138**	222
Attributable to:			
Equity shareholders of the parent company		**137**	219
Minority interests	30	**1**	3
Profit for the year		**138**	222
Basic earnings per share	11	**3.5p**	5.5p
Diluted earnings per share	11	**3.5p**	5.4p

Operating exceptional items during the year mainly comprise reimbursements, fines and other costs associated with premium rate services and an onerous contract provision associated with Carlton Screen Advertising (see note 5 for details).

Consolidated balance sheet

At 31 December:	Note	2007 £m	2006 Restated £m
Non-current assets			
Property, plant and equipment	12	**211**	193
Intangible assets	13	**3,873**	3,895
Investments in joint ventures and associated undertakings	14	**79**	66
Available for sale financial assets	15	**10**	37
Held to maturity investments	22	**100**	–
Derivative financial instruments	25	**32**	3
Distribution rights	16	**7**	11
		4,312	4,205
Current assets			
Assets held for sale	27	**59**	132
Programme rights and other inventory	17	**440**	400
Trade and other receivables due within one year	18	**399**	405
Trade and other receivables due after more than one year	18	**8**	7
Trade and other receivables		**407**	412
Derivative financial instruments	25	**4**	1
Cash and cash equivalents	22	**498**	961
		1,408	1,906
Current liabilities			
Borrowings	24	**(33)**	(471)
Derivative financial instruments	25	**(1)**	(16)
Trade and other payables due within one year	19	**(677)**	(679)
Trade and other payables due after more than one year	20	**(9)**	(9)
Trade and other payables		**(686)**	(688)
Current tax liabilities		**(206)**	(159)
Provisions	26	**(27)**	(9)
		(953)	(1,343)
Net current assets		**455**	563
Non-current liabilities			
Borrowings	24	**(1,263)**	(1,224)
Derivative financial instruments	25	**(9)**	(15)
Defined benefit pension deficit	6	**(112)**	(285)
Net deferred tax liability	9	**(75)**	(7)
Other payables	21	**(65)**	(56)
Provisions	26	**(4)**	(18)
		(1,528)	(1,605)
Net assets		**3,239**	3,163
Attributable to equity shareholders of the parent company			
Share capital	29	**389**	401
Share premium	30	**120**	120
Merger and other reserves	30	**2,702**	2,690
Translation reserve	30	**4**	(3)
Available for sale reserve	30	**4**	17
Retained earnings	30	**14**	(69)
Total attributable to equity shareholders of the parent company	30	**3,233**	3,156
Minority interest	30	**6**	7
Total equity	30	**3,239**	3,163

The accounts were approved and authorised for issue by the Board of Directors on 5 March 2008 and were signed on its behalf by:

Michael Grade

John Cresswell

Consolidated cash flow statement

For the year ended 31 December:	2007 £m	2007 £m	2006 £m	2006 £m
Cash flows from operating activities				
Operating profit before exceptional items	**227**		299	
Depreciation of property, plant and equipment	**35**		32	
Amortisation and impairment of intangible assets	**84**		76	
Increase in programme rights and other inventory, and distribution rights	**(36)**		(10)	
Decrease/(increase) in receivables	**2**		(33)	
Increase in payables	**5**		7	
Movement in working capital	**(29)**		(36)	
Cash generated from operations before exceptional items		**317**		371
Cash flow relating to operating exceptional items:				
Operating loss	**(35)**		(35)	
Increase in payables and provisions*	**4**		6	
Cash outflow from exceptional items		**(31)**		(29)
Cash generated from operations		**286**		342
Defined benefit pension deficit funding	**(33)**		(207)	
Interest received	**44**		22	
Interest paid on bank and other loans	**(103)**		(66)	
Interest paid on finance leases	**(3)**		(3)	
Investment income received	**1**		3	
Net taxation received/(paid)	**18**		(50)	
		(76)		(301)
Net cash flow from operating activities		**210**		41
Cash flows from investing activities				
Acquisition of subsidiary undertakings, net of cash and cash equivalents acquired and debt repaid on acquisition	**(29)**		(3)	
Proceeds from sale of assets held for sale	**94**		40	
Proceeds from sale of property, plant and equipment	**4**		–	
Acquisition of property, plant and equipment	**(37)**		(79)	
Acquisition of intangible assets	**(22)**		(4)	
Acquisition of associates and investments	**(2)**		(1)	
Loans granted to associates and joint ventures	**(10)**		–	
Loans repaid by joint ventures	**2**		2	
Proceeds from sale of subsidiaries	**5**		–	
Proceeds from sale of investments and associates	**–**		157	
Net cash flow from investing activities		**5**		112
Cash flows from financing activities				
Bank and other loans – amounts repaid	**(441)**		(13)	
Bank and other loans – amounts raised	**–**		581	
Capital element of finance lease payments	**(3)**		(3)	
Dividends paid to minority interest	**(2)**		(8)	
Share buy-backs	**–**		(251)	
Purchase of own shares via employee benefit trust	**(11)**		(31)	
Purchase of held to maturity investments	**(100)**		–	
Equity dividends paid	**(122)**		(128)	
Net cash (outflow)/inflow from financing activities		**(679)**		147
Net (decrease)/increase in cash and cash equivalents		**(464)**		300
Cash and cash equivalents at 1 January		**961**		663
Effects of exchange rate changes and fair value movements on cash and cash equivalents		**1**		(2)
Cash and cash equivalents at 31 December		**498**		961

* Includes £2 million (2006: £6 million) relating to expenditure against provisions held in respect of activities which have been previously discontinued.

Consolidated statement of recognised income and expense

For the year ended 31 December:	Note	2007 £m	2006 £m
Exchange differences on translation of foreign operations	30	**2**	(2)
Revaluation of available for sale investments	30	**3**	4
Disposal and impairment transferred from available for sale reserve to income statement	30	**(16)**	(20)
Movements in respect of cash flow hedges	30	**5**	–
Actuarial gains and losses on defined benefit pension schemes	6	**111**	29
Taxation on items taken directly to equity	9	**(47)**	(4)
Net income recognised directly in equity		**58**	7
Profit for the year		**138**	222
Total recognised income and expense for the year		**196**	229
Attributable to:			
Equity shareholders of the parent company	30	**195**	226
Minority interests	30	**1**	3
Total recognised income and expense for the year		**196**	229

Notes to the accounts

1 Accounting policies

1.1) Basis of preparation

The Group accounts consolidate those of ITV plc, ("the Company"), a company domiciled in the United Kingdom and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and jointly controlled entities.

As required by EU law (IAS Regulation EC 1606/2002) the Group's accounts have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

The accounts are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies below.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

The Group has adopted IFRS 7 "Financial instruments: Disclosures", and the complementary amendment to IAS 1 "Presentation of financial statements – Capital disclosures" which introduces new disclosures relating to financial instruments. The impact on the 2006 comparatives has been to reclassify interest rate swaps and forward foreign exchange contracts from accruals and deferred income to derivative financial instruments (see note 25 for further details) and to reclassify amounts between financing income and financing costs.

IFRS 8 "Operating segments" has been adopted by the Group in 2007. IFRS 8 replaces IAS 14 "Segment reporting". The new standard requires a "management approach", under which the segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with information provided to the chief operating decision maker. Comparatives for 2006 have been restated.

The accounting policies set out below, except as noted above, have been applied consistently in presenting the consolidated financial information.

1.2) Revenue recognition

Revenue is stated exclusive of VAT and consists of sales of goods and services to third parties. Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership and control of the goods sold and the amount of revenue can be measured reliably. Key classes of revenue are recognised on the following bases:

Advertising and sponsorship	on transmission
Programme production	on delivery
Programme rights	when contracted and available for exploitation
Participation revenues	as the service is provided

Revenue on barter transactions is recognised only when the goods or services being exchanged are of a dissimilar nature.

1.3) Segmental analysis

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Management Committee. The Management Committee comprises the executive directors.

1.4) Subsidiaries, associates and joint ventures

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

A joint venture is an entity in which the Group holds an interest under a contractual arrangement where the Group and one or more other parties undertake an economic activity that is subject to joint control. The Group accounts for its interests in joint ventures using the equity method.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of an entity but is not control or joint control over those policies. These investments are accounted for using the equity method.

1.5) Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

1.6) Property, plant and equipment

Owned assets Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that had been revalued to fair value prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount less depreciation up to the date of transition.

Leases Finance leases are those which transfer substantially all the risks and rewards of ownership to the lessee. Assets held under such leases are capitalised within property, plant and equipment and depreciation is provided as appropriate. Outstanding finance lease obligations, which comprise the principal plus accrued interest, are included within borrowings. The finance element of the agreements is charged to the income statement over the term of the lease on a systematic basis.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight line basis over the lease term.

Depreciation Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value on a straight line basis over their estimated useful lives. The major categories of property, plant and equipment are depreciated as follows:

Freehold land	not depreciated
Freehold buildings	up to 60 years
Leasehold properties/improvements	shorter of residual lease term or 60 years
Vehicles, equipment and fittings	3 to 20 years

Notes to the accounts

1 Accounting policies (continued)

1.7) Intangible assets

Business combinations and goodwill All business combinations that have occurred since 1 January 2004 are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired. Subsequent adjustments to the fair values of net assets acquired are made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition.

For business combinations prior to this date, but after 30 September 1998, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at that time less amortisation up to 31 December 2003. The classification and accounting treatment of business combinations occurring prior to 1 January 2004, the date of transition to IFRS, has not been reconsidered as permitted under IFRS 1. Goodwill is stated at cost less any accumulated impairment losses and is allocated to cash-generating units.

Goodwill arising on acquisitions prior to 30 September 1998 was recognised as a deduction from equity.

Other intangible assets Other intangible assets acquired by the Group are stated at cost less accumulated amortisation except those identifiable intangible assets acquired as part of a business combination which are shown at fair value at the date of acquisition (in accordance with IFRS 3 (Business Combinations)) less accumulated amortisation. Identifiable intangible assets are those which can be sold separately or which arise from legal rights.

Amortisation Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is not amortised but is tested for impairment at each balance sheet date. The useful lives and amortisation methods for each major class of intangible asset are as follows:

Film libraries	Sum of digits	20 years
Licences	Straight line	11 to 17 years
Brands	Straight line	up to 11 years
Customer contracts	Straight line	up to 6 years
Customer relationships	Straight line	5 to 10 years
Software development costs	Straight line	3 to 5 years

1.8) Distribution rights

Programme rights acquired primarily for the purposes of distribution are classified within the balance sheet as non-current assets. They are recognised initially at cost and charged through the income statement over either a three or five year period depending on genre.

1.9) Available for sale financial assets

Available for sale financial assets comprise gilts and equity securities which do not meet the definition of subsidiaries, joint ventures or associates. They are stated at fair value, with any resultant gain or loss recognised directly in the available for sale reserve in equity, unless the loss is a permanent impairment when it is recorded in the income statement.

1.10) Impairment of assets

Non financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non financial assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an asset such as goodwill relates to more than one cash-generating unit, impairment is tested against the cash flows of the group of cash-generating units related to that asset.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

1.11) Foreign currencies

Functional and presentational currency Items included in the financial statements in each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling ("£"), which is the Company's functional and presentational currency.

Foreign currency transactions Transactions in foreign currencies are translated into the functional currency of the respective Group entity at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet date are translated into the functional currency of the respective Group entity at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of the transaction.

Financial statements of foreign operations The assets and liabilities of foreign operations are translated into the functional currency of the respective group entity at the rate of exchange ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into the functional currency of the respective group entity at the average rate of exchange ruling during the financial period. Exchange differences arising on translation are recognised directly in the translation reserve in equity.

Net investment in foreign operations Exchange differences arising on the translation of the net investment in foreign operations are taken directly to the translation reserve within equity.

In respect of all foreign operations only those translation differences arising since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity as permitted under IFRS 1. On disposal of an investment in a foreign operation the associated translation reserve balance is released to the income statement.

1 Accounting policies (continued)

1.12) Exceptional items
Exceptional items, as disclosed on the face of the income statement, are items which due to their material and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and to show more accurately the underlying profits of the Group.

1.13) Programme rights
Where programming, sports rights and film rights are acquired for the primary purpose of broadcasting, these are recognised within current assets. Assets are recognised when the Group controls, in substance, the respective assets and the risks and rewards associated with them. For acquired programme rights assets are recognised as payments are made and are recognised in full when the acquired programming is available for transmission. Programming produced internally, either for the purpose of broadcasting or to be sold in the normal course of the Group's operating cycle, is recognised within current assets at production cost.

Programme costs and rights, including those acquired under sale and leaseback arrangements, are written off to operating costs in full on first transmission except certain film rights which are written off over a number of transmissions. Programme costs and rights not yet written off at the balance sheet date are included on the balance sheet at the lower of cost and net realisable value.

Outstanding sale and leaseback obligations, which comprise the principal and accrued interest are included within borrowings. The finance element of the agreement is charged to the income statement over the term of the lease on a systematic basis. Sale and leaseback obligations are secured against an equivalent cash balance held within cash and cash equivalents.

1.14) Trade receivables
Trade receivables are recognised initially and subsequently at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms.

1.15) Cash and cash equivalents
Cash and cash equivalents comprises cash balances, call deposits with maturity of less than or equal to three months from the date of acquisition and cash held to meet certain finance lease commitments.

1.16) Trade payables
Trade payables are recognised initially and subsequently at fair value.

1.17) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation arising from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and that the amount can be measured reliably. Provisions are determined by discounting the expected future cash flows by a rate which reflects current market assessments of the time value of money and the risks specific to the liability based on an appropriate gilt rate.

1.18) Borrowings
Borrowings are recognised initially at fair value, and in subsequent periods at amortised cost. The difference between cost and redemption value is recorded in the income statement over the period of the liability on an effective interest basis.

Where the Group has identified that any such liabilities result in a mismatch between the accounting liability and the related derivative, the Group has adopted the fair value option provision of IAS 39 (revised) to eliminate this accounting mismatch. Management consider that this fair value treatment is more appropriate than amortised cost as the movements in these financial instruments largely offset each other and, as a result, they are managed on an aggregated basis. The effect of this is that the Group recognises any such financial liabilities at fair value in all periods subsequent to initial recognition, with resultant gains or losses recorded in the income statement.

1.19) Non-current assets held for sale and discontinued operations
Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, non-current assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell.

No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale. Assets classified as held for sale are disclosed separately on the face of the balance sheet and classified as current assets or liabilities with disposal groups being separated between assets held for sale and liabilities held for sale.

1.20) Taxation
The tax charge for the period comprises both current and deferred tax and is based on tax rates that are enacted or substantively enacted at the balance sheet date. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set off.

Notes to the accounts

1 Accounting policies (continued)

1.21) Employee benefits

Defined contribution schemes Obligations under the Group's defined contribution schemes are recognised as an expense in the income statement as incurred.

Defined benefit schemes The Group's obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of scheme assets is deducted. The discount rate used is the yield at the valuation date on high quality corporate bonds. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they arise through the statement of recognised income and expense.

Share-based compensation The Group operates a number of share-based compensation schemes. The fair value of the equity instrument is measured at grant date and spread over the vesting period through the income statement with a corresponding increase in equity. The fair value of the share options and awards is measured using either a Monte Carlo or Black-Scholes model as appropriate taking into account the terms and conditions of the individual scheme. Non market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1.22) ITV shares held by Employee Benefit Trusts (EBTs)

Transactions of the Group-sponsored EBTs are included in the Group's accounts. In particular, the EBTs' purchases of shares in ITV plc are debited directly to equity.

1.23) Derivative financial instruments and hedging activities

The Group uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and other foreign exchange rates. The Group does not hold or issue derivative instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the income statement.

The fair value of foreign currency forward contracts is determined by using forward exchange market rates at the balance sheet date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in reserves. Any ineffective portion of the hedge is recognised immediately in the income statement.

For financial assets and liabilities designated at fair value through profit and loss the fair value change and interest income/expense are not separated.

1.24) Dividends

Dividends are recognised through equity in the period in which they are declared and approved by the Company's shareholders.

1.25) Investment income

Investment income comprises dividends received from the Group's investments. Dividend income is recognised in the income statement on the date the Group's right to receive payments is established.

1.26) Net financing costs

Net financing costs principally comprise interest payable, finance charges on finance leases, interest receivable on funds invested, gains and losses on hedging instruments that are recognised in the income statement and the expected return on pension scheme assets net of the interest cost on liabilities.

1.27) Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Details of accounting estimates and judgments that have the most significant effect on the amounts recognised in the financial statements have been disclosed under the relevant note or accounting policy for each area where disclosure is required. Principally these are measurements of defined benefit obligations, valuation of acquired intangible assets, measurement of the recoverable amounts of cash-generating units containing goodwill, fair value of derivatives, utilisation of tax losses and provisions.

1 Accounting policies (continued)

1.28) Application of new EU endorsed accounting standards, amendments to existing EU endorsed standards and interpretations

New standards, amendments and interpretations effective in 2007		
Relevant to the Group's results		
IFRS 7	Financial instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures	Requires extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and the extent of risks. IFRS 7 and amended IAS 1 requires additional disclosures with respect to financial instruments and share capital. It does not have any impact on the valuation of the Group or Company's financial instruments. The 2006 comparative information has been restated as a result of the introduction of IFRS 7
IFRS 8 (adopted early by the Group)	Operating segments	Replaces IAS 14, "Segment reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented
Neither of these new interpretations has had a material effect on the Group's results in 2007		

Not relevant to the Group's results		
IFRIC 8	Scope of IFRS 2 Share-based payment	Requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether they fall within the scope of IFRS 2. The Group already applies an accounting policy which complies with the requirements of IFRIC 8
IFRIC 10	Interim financial reporting and impairment	Prohibits the impairment loss recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date
IFRIC 7	Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies	Addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax
IFRIC 9	Reassessment of embedded derivatives	Requires that a reassessment of whether embedded derivatives should be separated from the underlying host contract should be made only when there are changes to the contract

New standards, amendments and interpretations not yet effective		
Not relevant to the Group's results		
IFRIC 11	IFRS 2 – Group and treasury share transactions	Required to be implemented in the Group's financial year commencing 1 January 2008. This interpretation provides guidance on whether share-based transactions involving group entities should be accounted for as equity settled or cash settled transactions. This IFRIC was endorsed by the EU in June 2007

Notes to the accounts

2 Operating segmental information

Management has determined the reportable segments based on the reports reviewed by the Management Committee. The Management Committee comprises the executive directors.

The Management Committee considers the business primarily from a product perspective. The reportable segments are therefore Broadcasting, Global Content, Online and Other. All of the segments reported meet the quantitative thresholds required by IFRS 8.

Broadcasting is responsible for commissioning and scheduling programmes on the ITV channels, marketing and programme publicity. It derives its revenue primarily from the sale of advertising airtime and sponsorship. Other sources of revenue are from premium rate services and the digital terrestrial multiplex SDN. The Broadcasting segment also includes the investments in SMG plc.

Global Content derives its revenue primarily from ITV Productions in the UK (a commercial production company) and the businesses in ITV Worldwide. A proportion of revenue is generated internally via programme sales to the Broadcasting segment. ITV Worldwide is made up of Granada International, Granada Ventures and international production centres in America, Germany and Australia. Granada International sells programming worldwide. Granada Ventures is a distributor of DVD entertainment in the UK and exploits merchandising and licensing worldwide.

Online derives its revenue from two main areas: broadband and mobile. Broadband includes itvlocal.com, itv.com and Friends Reunited. Mobile manages ITV's mobile portal and arranges distribution of ITV's channels and content on mobile networks.

Other comprises the Group's 100% interest in Carlton Screen Advertising, which sells cinema screen advertising in the UK, and its 50% interest in Screenvision, which operates cinema screen advertising businesses in continental Europe and the United States.

The segment information provided to the Management Committee for the reportable segments for the years ended 31 December 2007 and 31 December 2006 is as follows:

	Broadcasting		Global Content		Online		Other		Consolidated	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Total segment revenue	**1,750**	1,801	**564**	632	**33**	23	**67**	80	**2,414**	2,536
Intersegment revenue	**(12)**	(4)	**(320)**	(351)	**–**	–	**–**	–	**(332)**	(355)
Revenue from external customers	**1,738**	1,797	**244**	281	**33**	23	**67**	80	**2,082**	2,181
EBITA before exceptional items	**244**	296	**90**	88	**(12)**	1	**(11)**	(10)	**311**	375
Share of profit/(loss) from joint ventures and associated undertakings	**(2)**	3	**–**	–	**2**	2	**2**	3	**2**	8
Total segment assets	**3,934**	3,948	**590**	528	**419**	418	**84**	120	**5,027**	5,014
Total assets includes:										
Investments in associates and joint ventures	**12**	7	**4**	–	**2**	–	**61**	59	**79**	66
Additions to non-current assets (other than financial instruments)	**46**	33	**68**	24	**8**	21	**1**	1	**123**	79
Total segment liabilities	**(389)**	(381)	**(226)**	(242)	**(74)**	(64)	**(18)**	(11)	**(707)**	(698)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Management Committee is measured in a manner consistent with the income statement. Income statement and balance sheet allocations between reportable segments are performed on a consistent basis with the exception of pension costs, which are allocated, and pension assets and liabilities, which are not. This reflects the basis of reporting to the Management Committee.

The Management Committee assesses the performance of the reportable segments based on a measure of EBITA before exceptional items. This measurement basis excludes the effect of non-recurring income and expenditure. Amortisation, investment income and share of profits of joint ventures and associates are also excluded as they are not reflective of the underlying business. Net financing costs are not allocated to segments as this type of activity is driven by the central treasury and taxation functions, which manage the cash and taxation position of the Group.

A reconciliation of EBITA before exceptional items to profit before tax is provided as follows:

	2007 £m	2006 £m
EBITA before exceptional items	**311**	375
Exceptional items	**(35)**	(35)
Amortisation and impairment of intangible assets	**(84)**	(76)
Net financing costs	**(33)**	(26)
Share of profits of joint ventures and associated undertakings	**2**	8
Investment income	**1**	3
Gain on sale of properties (exceptional items)	**9**	4
Gain on sale and impairment of subsidiaries and investments (exceptional items)	**17**	35
Profit before tax	**188**	288

2 Operating segmental information (continued)

The amounts provided to the Management Committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment .

Reportable segments' assets are reconciled to total assets as follows:

	2007 £m	2006 £m
Segment assets	**5,027**	5,014
Unallocated:		
Held to maturity investments	**100**	–
Assets held for sale	**59**	132
Derivative financial instruments	**36**	4
Cash and cash equivalents	**498**	961
Total assets per the balance sheet	**5,720**	6,111

The amounts provided to the Management Committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2007 £m	2006 £m
Segment liabilities	**707**	698
Unallocated:		
Interest accruals	**23**	20
Derivative financial instruments	**10**	31
Borrowings	**1,296**	1,695
Current tax liabilities	**206**	159
Net deferred tax liability	**75**	7
Dividends	**52**	53
Defined pension deficit	**112**	285
Total liabilities per the balance sheet	**2,481**	2,948

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom is £1,929 million (2006: £2,012 million), and the total revenue from external customers in other countries is £153 million (2006: £169 million).

The total of non-current assets other than financial instruments, deferred tax assets, and employment benefit assets (there are no rights arising under insurance contracts) located in the UK is £4,279 million (2006: £4,204 million), and the total of these non-current assets located in other countries is £1 million (2006: £1 million).

Revenues of approximately £382 million (2006: £365 million), £258 million (2006: £270 million) and £250 million (2006: £234 million) are derived from three external customers. The Group's major customers are all media buying agencies. These revenues are attributable to the Broadcasting, Online and Other segments and are from the only customers which individually represent over 10% of the Group's revenues.

3 Staff costs

	2007 £m	2006 Restated £m
Wages and salaries	**260**	250
Social security and other costs	**31**	25
Share-based payment (see note 7)	**15**	15
Pension costs (see note 6)	**18**	27
Total	**324**	317

In addition, staff costs within exceptional items were £4 million (2006: £17 million) principally relating to redundancy payments and reorganisation costs. Total staff costs including exceptional items for the year ended 31 December 2007 are £328 million (2006: £334 million). In addition to the pension operating cost shown above is a net credit to net financing income of £18 million (2006: credit of £18 million) and a net credit to retained earnings in respect of actuarial gains and losses of £111 million (2006: credit of £29 million).

2006 comparatives have been restated to reflect a change in the allocation of certain Global Content staff costs which were previously charged directly to programmes.

The average number of employees employed by the Group during the year was:

	2007	2006
Broadcasting	**2,785**	3,042
Global Content	**2,444**	2,594
Online	**286**	135
Other	**185**	186
Total	**5,700**	5,957

Details of the directors' emoluments, share options, pension entitlements and long term incentive scheme interests are set out in the Remuneration report on pages 106 to 113.

Notes to the accounts

4 Total operating costs

	2007 £m	2006 Restated £m
Staff costs		
Before exceptional items	**324**	317
Exceptional items	**4**	17
	328	334
Depreciation, amortisation and impairment		
Amortisation and impairment	**84**	76
Depreciation	**35**	32
Impairment of assets held for sale	**5**	–
	124	108
Other operating costs		
Broadcasting schedule costs	**1,087**	1,070
Broadcasting transmission costs	**85**	81
Broadcasting industry costs	**37**	33
Licence fees	**44**	51
CSA direct costs	**63**	64
Global Content non-staff costs	**159**	197
Online non-staff costs	**35**	15
Operating lease costs	**19**	19
Other operating exceptional items	**31**	18
Audit and non-audit fees paid to KPMG Audit Plc (see below)	**2**	2
Other	**106**	181
	1,668	1,731
Less: Staff costs and other costs charged to broadcasting schedule costs	**(230)**	(256)
Total	**1,890**	1,917

Global Content non-staff costs are net of the recharge for programmes supplied to ITV Broadcasting channels (which is eliminated on consolidation as internal turnover).

The Group engages KPMG Audit Plc ("KPMG") on assignments additional to their statutory audit duties where their expertise and experience with the Group are important. The Group's policy on such assignments is set out in the Audit Committee report on page 104.

Fees paid to KPMG during the year are set out below:

	2007 £m	2006 £m
Fees payable to KPMG for the audit of the Group's annual accounts	**0.8**	0.7
Fees payable to KPMG and its associates for other services:		
The audit of the Group's subsidiaries pursuant to legislation	**0.2**	0.3
Other services supplied pursuant to legislation	**0.1**	0.1
Other services relating to taxation	**0.4**	0.4
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Group or any of its associates	**0.3**	0.5
All other services	**0.1**	0.1
Total	**1.9**	2.1

KPMG received £9,500 in respect of their audit of two of the Group's associated pension funds in 2007 (2006: £12,000). Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis.

5 Exceptional items

	2007 £m	2006 Restated £m
Operating exceptional items:		
Reorganisation and integration costs	**(8)**	(23)
PRS reimbursements and GMTV fines	**(18)**	–
Onerous contract provision	**(9)**	–
Fees in relation to takeover approaches	**–**	(14)
Receipt from liquidators	**–**	2
	(35)	(35)
Non-operating exceptional items:		
Gain on sale of properties	**9**	4
Gain on sale of subsidiaries and investments	**43**	57
Impairment of available for sale financial assets	**(26)**	(22)
	26	39
Total exceptional items before tax	**(9)**	4

In 2007 a charge of £8 million was incurred in respect of reorganisation and restructuring costs including £4 million in respect of costs associated with the operating review savings which form part of a larger project.

Provisions in respect of onerous contracts associated with Carlton Screen Advertising (£9 million) were put in place in 2007.

A net gain of £9 million has been recognised from the sale of properties. A gain of £17 million has been recognised from the sale of subsidiaries and investments net of impairment of investments. This includes the profits on disposal of the stakes in Arsenal Holdings plc and the option over the investment in Arsenal Broadband Limited (£28 million), the investment in Liverpool Football Club and Athletic Grounds plc (£7 million),the stake in Independent Television Facilities Centre Limited (£5 million) and the stake in MUTV Limited (£3 million) and an impairment of the holding in SMG Plc, which is held in the Broadcasting segment, (£26 million) following a significant and sustained decline in its share price.

Operating exceptional items include £18 million in respect of reimbursements, fines and other costs associated with issues arising on the use of premium rate interactive services in programming on ITV and GMTV as follows:

	2007 £m
Reimbursements and associated costs:	
ITV	**(10)**
GMTV	**(6)**
Fines:	
GMTV	**(2)**
	(18)

Reimbursements and associated costs include the amounts that GMTV has donated and ITV plans to donate to charities.

The terms of ITV plc's broadcasting licences require compliance with the Ofcom Broadcasting Code, which requires that competitions are to be run fairly, and that viewers must not be misled. If the Code is breached, it is open to the regulator in serious cases to impose sanctions, including a fine of up to 5% of the licensee's qualifying revenue. For free to air commercial broadcasters, such as ITV and GMTV (its 75% subsidiary undertaking), qualifying revenue in this context effectively equates to total advertising and sponsorship revenues. In setting the level of fine in the past, the regulator has taken into account whether or not problems were systemic or one-off; the period over which problems persisted; action taken by the broadcaster once problems came to light; and the amount of revenues generated by the affected services. The regulator has also levied multiple fines on broadcasters where more than one programme was affected.

Ofcom has been provided with details of all the instances in ITV's programmes which have given rise to reimbursement. However at the date of approval of these accounts, the regulator has not yet confirmed the level of any fine that may be imposed and it is not possible to reliably estimate the level of fine that might be imposed by Ofcom in this context. Therefore no provision for a fine on ITV is included in these accounts. The regulatory process is expected to be completed in the first half of 2008 and any subsequent fine will be included in the 2008 results as an operating exceptional item.

2006 exceptional items have been restated to include the gain on sale of properties of £4 million.

2006 exceptional items included a charge of £23 million, including £17 million staff costs, in respect of reorganisation and restructuring costs including the closure of the Bristol and children's programme production centres, the continuation of the regional news consolidation programme and redundancy and share costs arising from the restructuring of the senior management team. A liquidation settlement of £2 million was received from the liquidators of the Shop! Channel. Fees of £14 million were incurred in respect of the two unsolicited takeover approaches received in 2006.

2006 exceptional items also included a £35 million net gain from the sale of subsidiaries and the sale and impairment of investments. This included the profit on disposal of the stakes in Seven Network (£29 million) and TV3 (£40 million), the loss on sale of the education business (£12 million) and an impairment of the holding in SMG Plc, which is held within the Broadcasting segment (£22 million) following a significant decline in its share price.

Notes to the accounts

6 Pension schemes

The Group operates both defined benefit and defined contribution pension schemes.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation.

Defined contribution schemes

Total contributions recognised as an expense in relation to defined contribution schemes during 2007 were £3 million (2006: £2 million).

Defined benefit schemes

The Group provides retirement benefits to some of its former and approximately 30% of current monthly paid employees through defined benefit schemes. The Group's main scheme was formed from a merger of a number of schemes on 31 January 2006. The level of retirement benefit is principally based on basic salary at retirement.

During 2007, the Group made significant changes to the scheme benefit structure in respect of future service benefits. These changes involved a combination of an increase in normal retirement age, a reduction in the rate of benefit accrual and increased member contributions. Members were given the option to elect for alternative benefits with an equivalent adjustment to member contributions. Benefits accrued up to the date of the change were unaffected.

The liabilities of the defined benefit scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. This amount is reflected in the deficit in the balance sheet. The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The accumulated benefit obligation is an actuarial measure of the present value of benefits for service already rendered but differs from the projected unit method in that it includes an allowance for early leaver statutory revaluations rather than projected earning increases. At the balance sheet date the accumulated benefit obligation was £2,550 million (2006: £2,580 million).

The assets and liabilities of all the Group's defined benefit pension schemes recognised in the balance sheet at 31 December 2007 under IAS 19 (as explained in detail in this note) were £2,491 million and £2,603 million respectively, resulting in a net deficit in the defined benefit schemes of £112 million.

An alternative method of valuation to the projected unit method is a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities at the balance sheet date rather than the Group continuing to fund the ongoing liabilities of the scheme. The Group estimates the shortfall in the amount required to settle the scheme's liabilities at the balance sheet date is £1,100 million (2006: £1,500 million).

The statutory funding objective is that the scheme has sufficient and appropriate assets to pay its benefits as they fall due. This is a long term target. Future contributions will always be set at least at the level required to satisfy the statutory funding objective. The general principles adopted by the trustees are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

The most recently completed triennial actuarial valuations in respect of the Group's retirement benefits funds was performed by an independent actuary for the Trustees of the ITV Pension Scheme and was carried out as at 1 January 2005. The Group's main scheme, formed by merger on 31 January 2006, consists of three sections, A, B and C. The first triennial valuation of section A is due at 1 January 2008. The first triennial valuation of the other sections was completed as at 1 January 2007. The Group will monitor funding levels annually.

The levels of ongoing contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme. The Group estimates the present value of the duration of UK scheme liabilities will on average fall due over 16 years.

6 Pension schemes (continued)

The movement in the present value of the defined benefit obligation for these schemes is analysed below:

	2007 £m	2006 £m
Defined benefit obligation at 1 January	**2,657**	2,604
Current service cost	**15**	23
Curtailment loss	**–**	2
Interest cost	**134**	126
Net actuarial (gain)/loss	**(96)**	3
Contributions by scheme participants	**5**	4
Benefits paid	**(112)**	(105)
Defined benefit obligation at 31 December	**2,603**	2,657

The present value of the defined benefit obligation is analysed between wholly unfunded and funded defined benefit schemes in the table below:

	2007 £m	2006 £m
Defined benefit obligation in respect of funded schemes	**2,567**	2,619
Defined benefit obligation in respect of wholly unfunded schemes	**36**	38
Total defined benefit obligation	**2,603**	2,657

The movement in the fair value of the defined benefit scheme assets is analysed below:

	2007 £m	2006 £m
Fair value of assets at 1 January	**2,372**	2,072
Expected return on assets	**152**	144
Net actuarial gain	**15**	32
Employer contributions	**59**	225
Contributions by scheme participants	**5**	4
Benefits paid	**(112)**	(105)
Fair value of assets at 31 December	**2,491**	2,372

The assets and liabilities of the scheme are recognised in the balance sheet and shown within non-current liabilities. The total recognised is:

	2007 £m	2006 £m	2005 £m	2004 £m
Total defined benefit scheme assets	**2,491**	2,372	2,072	1,685
Total defined benefit scheme obligations	**(2,603)**	(2,657)	(2,604)	(2,357)
Net amount recognised within the balance sheet	**(112)**	(285)	(532)	(672)

Amounts recognised through the income statement are as follows:

	2007 £m	2006 £m
Amount charged to operating costs:		
Current service cost	**(15)**	(23)
Curtailment loss	**–**	(2)
	(15)	(25)
Amount credited/(charged) to net financing costs:		
Expected return on pension scheme assets	**152**	144
Interest cost	**(134)**	(126)
	18	18
Total credited/(charged) in the income statement	**3**	(7)

6 Pension schemes (continued)

The amounts recognised through the statement of recognised income and expense are:

	2007 £m	2006 £m
Actuarial gains and (losses):		
Arising on scheme assets	**15**	32
Arising on scheme liabilities	**96**	(3)
	111	29

The cumulative amount of actuarial gains and losses recognised through the statement of recognised income and expense since 1 January 2004 is an actuarial gain of £52 million (2006: £59 million loss).

Included within actuarial gains and losses are experience adjustments as follows:

	2007 £m	2006 £m	2005 £m	2004 £m
Experience adjustments on scheme assets	**15**	32	219	56
Experience adjustments on scheme liabilities	**(18)**	(12)	9	(70)

At 31 December 2007 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities.

The scheme assets are shown below by major category along with the associated expected rates of return.

	Expected long term rate of return 2007 %	Market value 2007 £m	Expected long term rate of return 2006 %	Market value 2006 £m
Market value of assets – equities and property	**7.7**	**1,284**	7.6	1,436
Market value of assets – bonds	**4.4 – 5.9**	**1,087**	4.5 – 5.2	898
Market value of assets – other	**5.0**	**120**	5.0	38
Total scheme assets		**2,491**		2,372

The expected return on plan assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. Exposure through the different asset classes is obtained through a combination of executing swaps and investing in physical assets. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold corporate bonds and other fixed interest securities. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable and they are generally considered much "riskier" investments. It is generally accepted that the yield on equity investments will contain a premium ("the equity risk premium") to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of the risk premium.

The expected return for each asset class is weighted based on the target asset allocation for 2008 to develop the expected long term rate of return on assets assumption for the portfolio.

The fair value of the scheme assets as a percentage of total scheme assets as at 31 December 2006 and 31 December 2007 and target allocations for 2008 are set out below.

The benchmark for 2008 is to hold broadly 55% equities and 45% bonds. The majority of the equities held by the scheme are in international blue chip entities. The aim is to hold a globally diversified portfolio of equities, with a target of broadly one-third of equities being held in the UK and two-thirds of equities held overseas. Within the bond portfolio the aim is to hold 50% of the portfolio in government bonds (gilts) and 50% of the portfolio in corporate bonds and other fixed interest securities. Asset allocation is currently being reviewed by the Trustees.

The actual return on plan assets in the year ended 31 December 2007 was £167 million (2006: £176 million).

	Planned 2008	2007	2006
(as a percentage of total scheme assets)			
Equities and property	55%	**52%**	61%
Bonds	45%	**44%**	38%
Other	0%	**4%**	1%

The principal assumptions used in the scheme valuations at the balance sheet date were:

	2007	2006
Rate of general increase in salaries	**4.65%**	4.25%
Rate of increase in pension payment (LPI 5% pension increases)	**3.30%**	2.90%
Rate of increase to deferred pensions	**3.40%**	3.00%
Discount rate for scheme liabilities	**5.70%**	5.12%
Inflation	**3.40%**	3.00%

6 Pension schemes (continued)

IAS 19 requires that the discount rate used be determined by reference to market yields at the balance sheet date on high quality fixed income investments. The currency and term of these should be consistent with the currency and estimated term of the post-employment obligations. The discount rate has been based on the yield available on AA rated corporate bonds of a term similar to the liabilities.

The expected rate of inflation is an important building block for salary growth and pension increase assumption. A rate of inflation is "implied" by the difference between the yields on fixed and index-linked Government bonds. However, differences in demand for these can distort this implied figure. The Bank of England target inflation rate has also been considered in setting this assumption.

The Group has used PA92 tables with mortality projected to 2020 for pensioner members and to 2035 for non-pensioner members. Using these tables, the assumed life expectations on retirement are:

	2007	**2007**	2006	2006
Retiring today at age	**60**	**65**	60	65
Males	**24.4**	**19.8**	24.4	19.8
Females	**27.4**	**22.8**	27.4	22.8
Retiring in 20 years				
Males	**25.5**	**20.8**	25.5	20.8
Females	**28.4**	**23.7**	28.4	23.7

The tables above reflect published mortality investigation data in conjunction with the results of investigations into the mortality experience of scheme members.

The sensitivities regarding the principal assumptions used to measure the schemes liabilities are set out below. The illustrations consider the single change shown with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). The Company liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value so there is no net effect on the company liability.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 8%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 7%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 1%
Rate of mortality	Increase by 1 year	Increase by 3%

Normal contributions into the schemes in 2008 are expected to be in the region of £12 million assuming current contribution rates continue as agreed with the scheme trustees.

Notes to the accounts

7 Share-based payment

	2007 Number of options ('000)	2007 Weighted average exercise price (pence)	2006 Number of options ('000)	2006 Weighted average exercise price (pence)
Outstanding at 1 January	**165,185**	**86.67**	195,704	90.07
Granted during the year – nil priced	**34,758**	**–**	19,195	–
Granted during the year – other	**3,479**	**86.72**	16,059	107.92
Forfeited during the year	**(8,087)**	**67.13**	(19,580)	89.10
Exercised during the year	**(28,469)**	**34.50**	(33,497)	53.63
Expired during the year	**(35,063)**	**74.73**	(12,696)	118.24
Outstanding at 31 December	**131,803**	**79.46**	165,185	86.67
Exercisable at 31 December	**51,818**	**147.88**	52,350	169.13

The average share price during 2007 was 105.73 pence (2006: 108.09 pence).

Range of exercise prices (pence)	2007 Weighted average exercise price (pence)	2007 Number of options ('000)	2007 Weighted average remaining contractual life (years)	2006 Weighted average exercise price (pence)	2006 Number of options ('000)	2006 Weighted average remaining contractual life (years)
Nil	**–**	**59,206**	**2.69**	–	60,524	5.54
50.00–69.99	**63.37**	**5,784**	**1.82**	66.45	12,844	4.46
70.00–99.99	**54.59**	**8,434**	**3.79**	86.21	8,276	4.31
100.00–109.99	**101.94**	**13,808**	**2.90**	101.69	20,456	3.59
110.00–119.99	**114.62**	**16,218**	**6.69**	114.44	27,744	7.20
120.00–149.99	**132.37**	**10,713**	**5.31**	132.14	14,033	6.36
150.00–199.99	**–**	**–**	**–**	160.26	3	–
200.00–249.99	**217.78**	**1,357**	**2.98**	218.32	1,965	3.78
250.00–299.99	**269.13**	**16,192**	**2.36**	268.91	19,249	3.31
300.00–385.99	**385.31**	**91**	**2.40**	385.31	91	3.40

Share schemes

Full details of the ITV Turnaround Plan, Commitment Scheme, Performance Share Plan and Deferred Share Award Plan can be found in the Remuneration report on pages 107 and 108.

The Granada Media and Granada Commitment schemes mirror the ITV scheme summarised in the Remuneration report on page 108. The main differences are as follows:

Twenty-five per cent of the Matching Awards will vest for median ranking, and maximum vesting will occur only for first or second position out of a comparator group of 16 international media companies. The performance condition is tested in respect of 50% of the Matching Award on the second anniversary of the date of grant. Any portion of the Matching Award which does not vest at that time may vest when the condition is again tested on the fourth anniversary of the date of grant. Performance conditions were adjusted to take account of the merger.

The Granada, Carlton and ITV Sharesave schemes are Inland Revenue Approved SAYE schemes.

The Granada Media, Granada and Carlton Executive Share Option schemes are Inland Revenue Approved and Unapproved schemes with three year performance periods. For all options granted before December 2002 the performance conditions were deemed to be satisfied on the merger of Carlton and Granada. The performance conditions for options granted from December 2002 measure TSR against a comparator group of 16 international media companies permitting exercise only if ITV is ranked above the median of this group. The comparator group for Carlton is the FTSE 100 at date of grant. Performance conditions were adjusted to take account of the merger.

The Carlton Equity Participation Plan operated under similar terms to the ITV Commitment Scheme summarised in the Remuneration report on page 108. For all awards made before December 2002 the performance conditions were deemed to be satisfied on the merger of Carlton and Granada. For awards made from December 2002, 33% of the Matching Award vests at median with maximum vesting occurring when ITV ranks in the upper quartile against a comparator group of UK media companies. The performance condition is tested on 1 April following the third anniversary of the date of grant. Any proportion that does not vest at this time may vest when the condition is tested on 1 April following the fourth anniversary of the date of grant. Performance conditions were adjusted to take account of the merger.

The Carlton Deferred Annual Bonus Plan operated as a share award scheme. Shares were purchased from bonus entitlements and held in trust for a three year period. Matching shares were awarded and vest after four years.

Exercises can be satisfied by market purchase or by new issue shares. However it is company practice to satisfy all option exercises where possible by using shares purchased in the market and held in the ITV Employees' Benefit Trust rather than by issuing new shares.

7 Share-based payment (continued)

Assumptions relating to grants of share options during 2007 and 2006:

Schedule name	Date of grant	Share price at grant (pence)	Exercise price (pence)	Expected volatility %	Expected life (years)	Gross dividend yield %	Risk free rate %	Fair value (pence)
Commitment Schemes								
ITV – shares	20-Mar-06	115.55	–	30.00%	3.00	2.70%	4.34%	60.00
ITV – shares	20-Mar-06	115.55	–	30.00%	4.00	2.70%	4.34%	61.00
ITV – options	20-Mar-06	115.55	115.75	30.00%	6.00	2.70%	4.33%	24.00
ITV – options	20-Mar-06	115.55	115.75	30.00%	7.00	2.70%	4.32%	27.00
Performance Share Plan								
ITV	18-Apr-06	114.50	–	32.00%	3.00	2.72%	4.48%	61.00
ITV	13-Sept-06	99.00	–	32.00%	3.00	3.18%	4.78%	46.00
Sharesave								
ITV – three year	06-Apr-06	117.75	92.00	32.00%	3.25	2.65%	4.39%	38.00
ITV – five year	06-Apr-06	117.75	92.00	32.00%	5.25	2.65%	4.40%	42.00
ITV – three year	05-Apr-07	111.10	86.60	25.00%	3.25	2.84%	5.25%	33.00
ITV – five year	05-Apr-07	111.10	86.60	25.00%	5.25	2.84%	5.12%	36.00
Turnaround Plan								
ITV – three year	13-Sept-07	106.40	–	25.00%	2.25	2.96%	5.04%	44.00
ITV – three year with retesting after 5 years	13-Sept-07	106.40	–	25.00%	2.25	2.96%	5.04%	59.00
ITV – five year	13-Sept-07	106.40	–	25.00%	4.25	2.96%	4.98%	48.00
ITV – three year	03-Oct-07	104.00	–	25.00%	2.25	2.96%	5.04%	41.00
ITV – five year	03-Oct-07	104.00	–	25.00%	4.25	2.96%	4.98%	45.00
ITV – three year	02-Nov-07	96.20	–	25.00%	2.25	2.96%	5.04%	28.00
ITV – five year	02-Nov-07	96.20	–	25.00%	4.25	2.96%	4.98%	36.00

The expected volatility is based on the historic volatility of ITV plc. ITV plc was formed on the merger of Granada plc and Carlton Communications Plc on 2 February 2004.

The awards made under the Commitment Scheme, Performance Share Plan and Turnaround Plan all have market based performance conditions which are taken into account in the fair value calculation using a Monte Carlo pricing model. The Black-Scholes model is used to value the Sharesave Schemes as these do not have any market performance conditions.

Share-based payment charges totalled £15 million in 2007 (2006: £22 million). Of these £nil has been shown within exceptional items (2006: £7 million).

8 Net financing costs

	2007 £m	2006 Restated £m
Financing income:		
Interest income on bank deposits	**30**	20
Expected return on defined benefit pension scheme assets	**152**	144
Change in fair value of financial liabilities designated at fair value through profit or loss	**14**	–
Foreign exchange gain	**–**	4
Other interest receivable	**4**	2
	200	170
Financing costs:		
Interest expense on financial liabilities measured at amortised cost	**(54)**	(35)
Change in fair value of financial liabilities designated at fair value through profit or loss	**–**	(31)
Foreign exchange loss	**(42)**	–
Interest on defined benefit pension plan obligations	**(134)**	(126)
Other interest expense	**(3)**	(4)
	(233)	(196)
Net financing costs	**(33)**	(26)

The foreign exchange loss is economically hedged by cross currency interest rate swaps. The gain on these swaps is included in the change in fair value of financial liabilities within financing income. See note 25 for further details.

Notes to the accounts

9 Taxation

Recognised in the income statement:

	2007 £m	2006 £m
Current tax expense:		
Current tax before exceptional items	**(58)**	(37)
Current tax credit/(expense) on exceptional items	**3**	(2)
	(55)	(39)
Adjustment for prior periods	**25**	48
	(30)	9
Deferred tax:		
Origination and reversal of temporary differences	**(9)**	(63)
Deferred tax credit on exceptional items	**3**	–
Adjustment for prior periods	**(14)**	(12)
	(20)	(75)
Total taxation expense in the income statement	**(50)**	(66)

Reconciliation of taxation expense:

	2007 £m	2006 £m
Profit before tax	**188**	288
Taxation expense at UK corporation tax rate of 30% (2006: 30%)	**(56)**	(86)
Non-taxable/non-deductible exceptional items	**3**	(2)
Non-taxable income/non-deductible expenses	**(7)**	(7)
Effect of tax losses utilised	**4**	4
Over provision in prior periods	**11**	36
Impact of tax rate change	**4**	–
Other	**(9)**	(11)
	(50)	(66)

In the year ended 31 December 2007 the effective tax rate on profits is lower (2006: lower) than the standard rate of UK corporation tax primarily as a result of adjustments in respect of prior periods due to progress in the agreement with revenue authorities of prior periods' tax liabilities (2006: adjustments in respect of prior periods due to progress in the agreement with revenue authorities of prior periods' tax liabilities). The underlying tax rate on profits, after adjusting for the irregular tax effects caused by issues such as exceptional items, impairments, joint ventures and associates and adjustments in respect of prior periods, is 31% (2006: 30%).

The current tax expense for the prior year is reduced primarily as a consequence of the reversal of temporary differences on which deferred tax assets previously were recognised relating to pension scheme deficits and funding payments.

A tax expense totalling £47 million (2006: expense of £4 million) has been recognised directly in equity representing a current tax credit of £nil (2006: credit of £2 million) and a deferred tax expense of £47 million (2006: expense of £6 million).

9 Taxation (continued)

Deferred tax assets and liabilities recognised and their movements are:

	At 1 January 2007 £m	Business combinations £m	Recognised in the income statement £m	Recognised in equity £m	Transfer to assets held for sale £m	**At 31 December 2007 £m**
Property, plant and equipment	(4)	–	(9)	–	–	**(13)**
Intangible assets	(139)	(1)	24	3	–	**(113)**
Programme rights	7	–	(4)	–	–	**3**
Pension scheme deficits	86	–	(21)	(34)	–	**31**
Pensions funding payments	21	–	(10)	–	–	**11**
Interest-bearing loans and borrowings, and derivatives	(4)	–	2	–	–	**(2)**
Share-based payments	26	–	(6)	(16)	–	**4**
Unremitted earnings of subsidiaries, associates and joint ventures	(3)	–	1	–	–	**(2)**
Other	3	–	3	–	–	**6**
	(7)	(1)	(20)	(47)	–	**(75)**

	At 1 January 2006 £m	Business combinations £m	Recognised in the income statement £m	Recognised in equity £m	Business sale £m	At 31 December 2006 £m
Property, plant and equipment	(3)	–	(2)	–	1	(4)
Intangible assets	(155)	(1)	17	–	–	(139)
Programme rights	5	–	2	–	–	7
Pension scheme deficits	160	–	(65)	(9)	–	86
Pensions funding payments	29	–	(8)	–	–	21
Interest-bearing loans and borrowings, and derivatives	3	–	(7)	–	–	(4)
Share-based payments	32	–	(9)	3	–	26
Unremitted earnings of subsidiaries, associates and joint ventures	–	–	(3)	–	–	(3)
Other	3	–	–	–	–	3
	74	(1)	(75)	(6)	1	(7)

The amount of the deferred tax liability at 31 December 2007 has been reduced by £6 million as a consequence of the re-statement of the liability to the reduced, broadly 28%, rate at which the liability is expected to reverse as a consequence of changes in the UK Finance Act 2007. Of this benefit £4 million has been taken through the income statement and net £2 million through equity in accordance with IAS 12.

At 31 December 2007 total deferred tax assets are £55 million (2006: £143 million) and total deferred tax liabilities are £130 million (2006: £150 million).

Deferred tax assets estimated at £0.6 billion and £0.1 billion (2006: £0.6 billion and £0.1 billion) in respect of capital losses and loan relationship deficits respectively, have not been recognised due to uncertainties as to amount and whether gain or income will arise in the appropriate form and relevant territory against which such losses could be utilised. For the same reasons, deferred tax assets in respect of overseas losses of £10 million (2006: £10 million) which time expire between 2017 and 2026 have not been recognised.

10 Dividends

Dividends declared and recognised through equity in the year were:

	2007 £m	2006 £m
Equity shares:		
Final 2005 dividend of 1.8 pence per share	–	74
Interim 2006 dividend of 1.35 pence per share	–	53
Final 2006 dividend of 1.8 pence per share	**70**	–
Interim 2007 dividend of 1.35 pence per share	**52**	–
	122	127

A final dividend of 1.8 pence per share, totalling £70 million, has been proposed after the balance sheet date in respect of the year ended 31 December 2007 (2006: 1.8 pence per share, totalling £70 million). As is required by IAS 10 (Events after the balance sheet date) this amount has not been provided for at the balance sheet date.

Notes to the accounts

11 Earnings per share

	2007 Basic £m	2007 Diluted £m	2006 Restated Basic £m	2006 Restated Diluted £m
Profit for the year attributable to equity shareholders of the parent company	**137**	**137**	219	219
Exceptional items (including related tax effect of a credit of £6 million, 2006: expense of £2 million)	**3**	**3**	(2)	(2)
Profit for the year before exceptional items	**140**	**140**	217	217
Amortisation and impairment of intangible assets (including related tax credit of £19 million, 2006: £17 million)	**65**	**65**	59	59
Prior period tax adjustments	**(11)**	**(11)**	(36)	(36)
Other tax adjustments	**–**	**–**	12	12
Profit for the year before exceptional items, amortisation and impairment of intangible assets and prior period tax adjustments	**194**	**194**	252	252
Weighted average number of ordinary shares in issue – million	**3,874**	**3,874**	4,017	4,017
Dilution impact of share options – million	**–**	**23**	–	34
	3,874	**3,897**	4,017	4,051
Earnings per ordinary share	**3.5p**	**3.5p**	5.5p	5.4p
Adjusted earnings per ordinary share				
Basic earnings per ordinary share	**3.5p**	**3.5p**	5.5p	5.4p
Add: Loss/(profit) per ordinary share on exceptional items	**0.1p**	**0.1p**	(0.1)p	(0.1)p
Earnings per ordinary share before exceptional items	**3.6p**	**3.6p**	5.4p	5.3p
Add: Loss per ordinary share on amortisation and impairment of intangible assets	**1.7p**	**1.7p**	1.5p	1.5p
Subtract: Profit per ordinary share on prior period tax adjustments	**(0.3)p**	**(0.3)p**	(0.9)p	(0.9)p
Add: Loss per ordinary share on other tax adjustments	**–**	**–**	0.3p	0.3p
Earnings per ordinary share for the year before exceptional items, amortisation and impairment of intangible assets and prior period tax adjustments	**5.0p**	**5.0p**	6.3p	6.2p

An adjusted earnings per share figure has been disclosed because in the view of the directors this gives a fairer reflection of the results of the underlying business.

The 2006 adjusted earnings per share figures have been restated to exclude the gain on sale of properties of £4 million to reflect more fairly the underlying business performance.

12 Property, plant and equipment

	Freehold land and buildings	Improvements to leasehold land and buildings		Vehicles, equipment and fittings		Total
		Long	Short	Owned	Leased	
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2006	55	67	14	404	41	581
Additions	23	4	3	24	–	54
Reclassification as assets held for sale	(55)	(13)	–	(11)	–	(79)
Disposals and retirements	–	–	(2)	(167)	(37)	(206)
At 31 December 2006	23	58	15	250	4	350
Additions	–	–	6	31	12	49
Reclassification from assets held for sale	–	8	–	–	–	8
Disposals and retirements	–	–	–	(30)	–	(30)
At 31 December 2007	**23**	**66**	**21**	**251**	**16**	**377**
Depreciation						
At 1 January 2006	1	9	7	291	38	346
Charge for the year	1	2	1	28	–	32
Reclassification as assets held for sale	(2)	(4)	–	(10)	–	(16)
Disposals and retirements	–	–	(2)	(167)	(36)	(205)
At 31 December 2006	–	7	6	142	2	157
Charge for the year	–	2	2	31	–	35
Reclassification from assets held for sale	–	3	–	–	–	3
Disposals and retirements	–	–	–	(29)	–	(29)
At 31 December 2007	**–**	**12**	**8**	**144**	**2**	**166**
Net book value						
At 31 December 2007	**23**	**54**	**13**	**107**	**14**	**211**
At 31 December 2006	23	51	9	108	2	193

Included within the book values above is expenditure of £11 million (2006: £23 million) on property, plant and equipment which are in the course of construction. Also included within the book values above is £14 million relating to assets held under finance leases (2006: £2 million). The amount of contractual commitments for the acquisition of property, plant and equipment is disclosed in note 33.

13 Intangible assets

	Goodwill £m	Brands £m	Customer contracts and relationships £m	Licences £m	Software development £m	Film libraries and other £m	Total £m
Cost							
At 1 January 2006	3,425	199	336	121	–	78	4,159
Acquisition of subsidiaries	18	–	2	–	–	–	20
Internal development	–	–	–	–	4	–	4
At 31 December 2006	3,443	199	338	121	4	78	4,183
Acquisition of subsidiaries	35	–	–	–	–	5	40
Internal development	–	–	–	–	22	–	22
At 31 December 2007	**3,478**	**199**	**338**	**121**	**26**	**83**	**4,245**
Amortisation and impairment							
At 1 January 2006	–	32	158	11	–	11	212
Charge for the year	–	18	24	9	–	5	56
Impairment charge	20	–	–	–	–	–	20
At 31 December 2006	20	50	182	20	–	16	288
Charge for the year	–	18	22	9	1	6	56
Impairment charge	20	–	8	–	–	–	28
At 31 December 2007	**40**	**68**	**212**	**29**	**1**	**22**	**372**
Net book value							
At 31 December 2007	**3,438**	**131**	**126**	**92**	**25**	**61**	**3,873**
At 31 December 2006	3,423	149	156	101	4	62	3,895

In the 2006 annual report software development was included in the film libraries and other category. It has been shown separately above as a result of its increasing significance.

Notes to the accounts

13 Intangible assets (continued)

Amortisation of intangible assets is shown within operating costs in the income statement. The £28 million impairment charge in 2007 related to the Carlton Screen Advertising cash-generating unit and was a result of structural changes in the cinema advertising market. Of the £28 million, £20 million of the impairment relates to goodwill and £8 million to other intangible assets. In calculating this impairment, growth rates and discount rates consistent with those noted below have been used, and calculations have been made on a value in use basis, using cash flow projections over the next seven years. Carlton Screen Advertising is part of the Other operations segment.

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	2007 £m	2006 £m
Broadcasting	**2,707**	2,707
Global Content	**301**	267
Online	**376**	375
GMTV	**54**	54
CSA	**–**	20
	3,438	3,423

The recoverable amount of the cash-generating units is based on value in use calculations. Those calculations use cash flow projections based on estimated operating results for the next seven years. Cash flows in perpetuity are extrapolated using a 2.5% growth rate and are appropriate because these are long-term businesses. The growth rate used is consistent with the long-term average growth rate for the industry. A pre-tax discount rate of 11.9% has been used in discounting the projected cash flows. The key assumptions and the approach to determining the cash flows of the cash-generating units are:

Broadcasting

The main assumptions on which the forecast cash flows were based include the television share of advertising market, share of commercial impacts, programme costs and the level of PSB savings. The key assumptions in assessing the recoverable amount of this goodwill are the growth in the total television market and ITV's share within that market. These assumptions have been determined by using a combination of long term trends, industry forecasts and in-house estimates. It is also assumed that ITV is able to renew its broadcasting licences in 2014. Broadcasting goodwill exceeds its carrying amount by approximately £200 million. In assessing the recoverable amount, ITV's TV advertising revenues are assumed to have a net present value of £14.8 billion. Goodwill would be equal to its carrying amount if there were a 12% fall in the growth rate assumed in assessing ITV's TV advertising revenues.

Global Content

The main assumptions on which the forecast cash flows were based include turnover growth, share of total network programme budget obtained, and margin growth. These assumptions have been determined by using a combination of extrapolation of historical trends within the business, industry forecasts and in-house estimates of growth rates.

Online

The main assumptions on which the forecast cash flows were based include page impressions, unique users, average dwell time for unique users, number of videos streamed and advertising rates. These assumptions have been determined by using a combination of industry forecasts and in-house estimates of growth rates.

GMTV

The main assumptions on which the forecast cash flows were based include the television share of advertising market, share of commercial impacts, and programme costs. These assumptions have been determined by using a combination of long term trends, industry forecasts and in-house estimates.

14 Investments in joint ventures and associated undertakings

	Joint ventures £m	Associated undertakings £m	Total £m
At 1 January 2006	60	33	93
Additions	–	1	1
Share of attributable profits	5	3	8
Disposals	–	(29)	(29)
Repayment of loans	(1)	–	(1)
Reclassification as assets held for sale	(3)	–	(3)
Exchange movement and other	(2)	(1)	(3)
At 31 December 2006	59	7	66
Additions	4	9	13
Share of attributable profits	–	–	–
Repayment of loans	(1)	–	(1)
Exchange movement and other	1	–	1
At 31 December 2007	**63**	**16**	**79**

Of the share of attributable profits of joint ventures £2 million (2006: £nil) was allocated to assets held for sale (see note 27) in line with their balance sheet classification. The £4 million of additions in 2007 includes an investment in Kangaroo, a joint venture with BBC Worldwide and Channel 4 seeking to offer online access to archive programming from the UK's leading broadcasters.

The aggregated summary financial information in respect of associates in which the Group has an interest is as follows:

	2007 £m	2006 £m
Assets	**69**	54
Liabilities	**(68)**	(56)
Revenue	**117**	118
Profit	**2**	4

The aggregated summary financial information in respect of the Group's share of interests in joint ventures is as follows:

	2007 £m	2006 £m
Non-current assets	**54**	54
Current assets	**45**	43
Current liabilities	**(24)**	(26)
Non-current liabilities	**(28)**	(25)
Revenue	**68**	62
Expense	**(68)**	(59)

The Group's interests in significant joint ventures and associated undertakings are listed in note ix in the ITV plc company financial statements section of this report.

Notes to the accounts

15 Available for sale financial assets

	£m
At 1 January 2006	181
Disposals	(90)
Revaluation to fair value	(6)
Reclassification as assets held for sale	(48)
At 31 December 2006	37
Revaluation to fair value	(1)
Impairment (see note 5)	(26)
At 31 December 2007	**10**

The Group's interests in significant trade investments are listed in note ix in the ITV plc company financial statements section of this report.

16 Distribution rights

	£m
Cost	
At 1 January 2006	46
Additions	11
At 31 December 2006	57
Additions	11
At 31 December 2007	**68**
Charged to income statement	
At 1 January 2006	33
Expense for the year	13
At 31 December 2006	46
Expense for the year	15
At 31 December 2007	**61**
Net book value	
At 31 December 2007	**7**
At 31 December 2006	11

The expense for the year is accounted for within operating costs in the income statement.

17 Programme rights and other inventory

	2007 £m	2006 £m
Commissions	**116**	106
Sports rights	**23**	20
Acquired films	**222**	184
Production	**55**	48
Prepayments	**22**	41
Other	**2**	1
	440	400

Net programme rights and other inventory written off in the year, included within operating costs analysed in note 4, was £28 million (2006: £12 million).

18 Trade and other receivables

	2007 £m	2006 £m
Due within one year:		
Trade receivables	**317**	302
Other receivables	**14**	26
Prepayments and accrued income	**68**	77
	399	405
Due after more than one year:		
Trade receivables	**7**	5
Prepayments and accrued income	**1**	2
	8	7
Total trade and other receivables	**407**	412

18 Trade and other receivables (continued)

As at 31 December 2007, trade receivables of £9 million (2006: £16 million) were impaired and provided for. The individually impaired receivables relate mainly to the Broadcasting and Global Content segments due to concerns over their recoverability. Movements on the Group provision for impairment of trade receivables are as follows:

	2007 £m	2006 £m
At 1 January	**16**	14
Provision for receivables impairment	**3**	7
Receivables written off during the year as uncollectible	**(3)**	(3)
Unused amounts reversed	**(7)**	(2)
At 31 December	**9**	16

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2007, trade receivables of £86 million (2006: £87 million) were past due but not impaired. Of this £46 million (2006: £31 million) relates to customers in the Broadcasting segment where the Group has supplier and customer relationships. An amount of £40 million (2006: £39 million) is included in trade payables relating to these customers. The remainder relates to a number of customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	2007 £m	2006 £m
Current	**238**	220
Up to 30 days overdue	**32**	38
Between 30 and 90 days overdue	**8**	7
Over 90 days overdue	**46**	42
	324	307

19 Current liabilities – trade and other payables due within one year

	2007 £m	2006 Restated £m
Trade payables	**183**	184
Social security	**9**	10
Other payables	**102**	137
Accruals and deferred income	**331**	295
Dividends	**52**	53
	677	679

20 Current liabilities – trade and other payables due after more than one year

	2007 £m	2006 £m
Trade payables	**9**	9

21 Non-current liabilities – other payables

	2007 £m	2006 £m
Other payables	**65**	56

Notes to the accounts

22 Analysis of net debt

	1 January 2007 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	**31 December 2007 £m**
Cash	824	(444)	1	**381**
Cash equivalents	137	(20)	–	**117**
Cash and cash equivalents	961	(464)	1	**498**
Held to maturity investments	–	100	–	**100**
Loans and loan notes due within one year	(468)	441	–	**(27)**
Finance leases due within one year	(3)	3	(6)	**(6)**
Loans and loan notes due after one year	(1,152)	–	(32)	**(1,184)**
Finance leases due after one year	(72)	–	(7)	**(79)**
	(1,695)	444	(45)	**(1,296)**
Swap held against €500m bond	–	–	30	**30**
Net debt	(734)	80	(14)	**(668)**

	1 January 2006 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	31 December 2006 £m
Cash	522	303	(1)	824
Cash equivalents	141	(3)	(1)	137
Cash and cash equivalents	663	300	(2)	961
Loans and loan notes due within one year	(285)	13	(196)	(468)
Finance leases due within one year	(3)	3	(3)	(3)
Loans and loan notes due after one year	(781)	(581)	210	(1,152)
Finance leases due after one year	(75)	–	3	(72)
	(1,144)	(565)	14	(1,695)
Net debt	(481)	(265)	12	(734)

Included within cash equivalents is £71 million (2006: £75 million) the use of which is restricted to meeting finance lease commitments under programme sale and leaseback commitments and gilts of £32 million (2006: £31 million) over which the unfunded pension promises have a charge.

In August 2007 ITV purchased a £100 million senior note issued by UBS AG ('UBS') under UBS' Euro Note Programme. The note matures in March 2009 and the investment return is a function of short term interest rates across six major currencies. For the period to 31 December 2007 the return earned was 8.6% on a per annum basis. The note is designated as a held to maturity investment and, although it is the Group's intention to hold this note to maturity, it can be redeemed for cash before the maturity date, subject to agreement by UBS.

At the time of issue of the €500 million bond the Group took out a cross-currency interest rate swap to economically hedge Euro interest rate and foreign exchange exposure. As at 31 December 2007 the currency element of the swap is a £30 million asset (2006: £1 million asset) and this offsets the exchange rate movement of the bond. The interest element of the swap is a £7 million liability (2006: £4 million liability) resulting in an overall net asset total at 31 December 2007 of £23 million (2006: £3 million net liability total).

The €356 million exchangeable bond and £200 million Eurobond matured in 2007.

Included within non-cash movements in 2006 is the movement of the £200 million Eurobond into amounts payable in less than one year based on its payment due date.

23 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments. Transactions are only undertaken if they relate to underlying exposures. The treasury department reports regularly to the Audit Committee and treasury operations are subject to periodic independent reviews and internal audit.

Market risk

a) Currency risk

The Group operates internationally and is therefore exposed to currency risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's foreign exchange policy is to hedge material foreign currency denominated costs at the time of commitment and to hedge a proportion of foreign currency denominated revenues on a rolling 12-month basis.

The Group ensures that its net exposure to foreign denominated cash balances is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

The Euro denominated interest and principal payments under the €500 million bond have been fully hedged by a cross-currency interest rate swap.

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long term in nature.

At 31 December 2007, if sterling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been £2 million (2006: £2 million) higher/lower. Equity would have been £7 million (2006: £6 million) higher/lower.

At 31 December 2007, if sterling had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £1 million (2006: £1 million) higher/lower. Equity would have been £5 million (2006: £1 million) higher/lower.

b) Price risk

The Group is exposed to equity securities price risk due to its investment in SMG plc. During 2007 SMG's share price fell 75% to 16 pence (2006: 38%) versus the 3% (2006: 9%) increase in the FTSE 100. The investment in SMG Plc is classified as an available for sale financial asset and so any fair value movement initially goes through equity. However as the share price experienced a significant decline since October 2007 an impairment charge was recognised in the income statement. This £26 million charge reflected the decline in the share price in the year as an impairment was also recognised in 2006 based on the sustained decrease in share price. If the share price increased/decreased by another 10% in 2007 the impairment charge in 2007 would have been £3 million lower/higher.

c) Fair value interest risk

The Group's principal interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose the Group to interest rate risk.

The Group's interest rate policy is to have between 50% and 70% of its total net indebtedness at fixed rates over the medium term in order to provide a balance between certainty of cost and benefit from lower floating rates. The Group uses interest rate swaps and options in order to achieve the desired mix between fixed and floating rates.

All of the Group's interest rate swaps are designated as fair value through the profit and loss so any movement in the fair value goes through the income statement rather than equity.

At 31 December 2007, if interest rates had increased/decreased by 0.1%, post-tax profit for the year would have been £1 million (2006: £1 million) lower/higher.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers, cash and held to maturity investments. There is also credit risk relating to the Group's own credit rating as it could impact the coupon payable on certain borrowings.

a) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The majority of trade receivables relate to airtime sales contracts with advertising agencies and advertisers. Credit insurance has been taken out against these companies to minimise the impact on the Group in the event of a possible default.

b) Cash and held to maturity investments

The Group operates strict investment guidelines with respect to surplus cash and the emphasis is on preservation of capital. Counterparty limits for cash deposits are largely based upon long term ratings published by the major credit rating agencies. Deposits longer than three months require the approval of the Management Committee of the Board.

The £100 million UBS note which matures in March 2009 had an Aaa rating from Moody's Investors Service at 31 December 2007. This is designated as a held to maturity investment in the balance sheet.

c) Borrowings

The €500 million 2011 and £250 million 2017 bonds issued in October 2006 have coupon step-ups if ITV's credit rating with either Standard & Poor's or Moody's Investors Service falls below BBB- or Baa3 respectively (also known as "investment grade"). See note 24 for further details of the coupon rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's financing policy is to fund itself for the long term by using debt instruments with a range of maturities. It is substantially funded from the UK and European capital markets and has bank facilities from the UK syndicated debt market.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn bank facilities and cash and cash equivalents) on the basis of expected cash flows. This monitoring includes financial ratios to assess headroom under financial covenants on bank facilities.

At 31 December 2007 the Group has available £530 million (2006: £450 million) of undrawn committed facilities. Of these £450 million are bank facilities which expire in June 2011. The remaining £80 million relates to a revolving credit facility provided by UBS secured against the £100 million note. Both the UBS facility and note mature in March 2009.

Notes to the accounts

23 Financial risk factors (continued)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows so will not always reconcile with the amounts disclosed on the balance sheet.

At 31 December 2007	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Borrowings	**(1,294)**	(37)	(261)	(371)	(625)
Trade and other payables	**(686)**	(677)	(5)	(4)	–
Other non-current payables	**(68)**	–	(56)	(12)	–
Derivative financial liabilities					
Interest rate swaps	**47**	(9)	3	41	12
Forward foreign exchange contracts – cashflow hedges					
Outflows	**(63)**	(33)	(30)	–	–
Inflows	**68**	36	32	–	–
Forward foreign exchange contracts – fair value through profit and loss					
Outflows	**(54)**	(35)	(12)	(7)	–
Inflows	**54**	35	12	7	–
	(1,996)	(720)	(317)	(346)	(613)

At 31 December 2006	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Borrowings	(1,976)	(474)	(8)	(610)	(884)
Trade and other payables	(688)	(679)	(8)	(1)	–
Other non-current payables	(60)	–	(1)	(59)	–
Derivative financial liabilities					
Interest rate swaps	5	(24)	(7)	21	15
Forward foreign exchange contracts – cashflow hedges					
Outflows	–	–	–	–	–
Inflows	–	–	–	–	–
Forward foreign exchange contracts – fair value through profit and loss					
Outflows	(78)	(64)	(12)	(2)	–
Inflows	76	62	12	2	–
	(2,721)	(1,179)	(24)	(649)	(869)

Capital management

The Group's objective when managing capital (equity and borrowings) is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

24 Analysis of borrowings

a) Ageing

	2007			2006		
	Loans and loan notes £m	Finance leases £m	Total £m	Loans and loan notes £m	Finance leases £m	Total £m
Current						
In one year or less, or on demand	**27**	**6**	**33**	468	3	471
Non-current						
In more than one year but not more than two years	**249**	**8**	**257**	–	4	4
In more than two years but not more than five years	**365**	**26**	**391**	582	16	598
In more than five years	**570**	**45**	**615**	570	52	622
	1,184	**79**	**1,263**	1,152	72	1,224
Total	**1,211**	**85**	**1,296**	1,620	75	1,695

Loans repayable within one year
Loans repayable within one year as at 31 December 2007 include £21 million of loan notes issued in connection with the purchase of Friends Reunited with a coupon of LIBOR minus 0.525% and £4 million of loan notes issued in connection with the purchase of Carlton Communications Limited Preference Shares with a coupon of LIBOR minus 0.5%. Loans repayable within one year as at 31 December 2006 also included an unsecured €356 million exchangeable bond and an unsecured £200 million Eurobond which both matured during 2007. These bonds had coupon rates of 2.25% and 7.625% respectively.

Loans repayable between one and two years
Loans repayable between one and two years as at 31 December 2007 include an unsecured £250 million Eurobond which has a coupon of 5.625% and matures in March 2009.

Loans repayable between two and five years
Loans repayable between two and five years as at 31 December 2007 include an unsecured €500 million Eurobond which has a coupon of 4.75% and matures in October 2011. The coupon on this bond steps up to 6.0% under certain conditions if ITV's credit rating with either Standard & Poor's or Moody's Investors Service falls below BBB- or Baa3 respectively.

Loan repayable after five years
Loans repayable after five years include an unsecured £325 million Eurobond which has a coupon of 5.375% and matures in October 2015 and an unsecured £250 million Eurobond which has a coupon of 6.125% and matures in January 2017. The coupon on this bond steps up to 7.375% under certain conditions if ITV's credit rating with either Standard & Poor's or Moody's Investors Service falls below BBB- or Baa3 respectively.

Finance leases
Finance lease liabilities are payable as follows:

	2007			2006		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
In one year or less	**10**	**4**	**6**	7	4	3
In more than one year but not more than five years	**47**	**13**	**34**	33	13	20
In more than five years	**50**	**5**	**45**	59	7	52
	107	**22**	**85**	99	24	75

Finance leases principally comprise the lease of programme titles under sale and leaseback arrangements and an embedded lease relating to the provision of news.

The net book value of assets held under finance leases at 31 December 2007 was £14 million (2006: £2 million).

b) Fair values

Available for sale investments
The fair value of available for sale investments traded in active markets is based on quoted market bid prices at the balance sheet date.

Held to maturity investments
Held to maturity investments include the £100 million UBS note which was issued in 2007 and is held at amortised cost. The fair value at 31 December 2007 was £100 million based on quoted market bid prices at the balance sheet date.

Cash and cash equivalents
The carrying value approximates to fair value because of the short maturity of the instruments.

Derivative financial instruments
Interest rate swaps and options are accounted for at their fair value based upon termination prices.

Forward foreign exchange contracts are accounted for at their fair value using quoted forward exchange rates at the balance sheet date.

Other assets and liabilities
No disclosure of fair value has been made as the carrying value is a reasonable approximation of the fair value.

Notes to the accounts

24 Analysis of borrowings (continued)

Loans and loan notes

	Maturity	Basis of measurement	Book value 2007 £m	Book value 2006 £m	Fair value 2007 £m	Fair value 2006 £m
€356 million Exchangeable Bond	Jan 07	Amortised cost	–	240	–	240
£200 million Eurobond	Jun 07	Fair value	–	201	–	201
£250 million Eurobond	Mar 09	Fair value	**249**	248	**249**	248
€500 million Eurobond	Oct 11	Amortised cost	**365**	334	**358**	338
£325 million Eurobond	Oct 15	Amortised cost	**322**	322	**300**	308
£250 million Eurobond	Jan 17	Amortised cost	**248**	248	**241**	248
Other loans		Amortised cost	**27**	27	**27**	27
			1,211	1,620	**1,175**	1,610

Bonds accounted for on an amortised cost basis use the effective interest method.

Bonds accounted for using the fair value approach are valued at fair value based on ask price with the resultant gains or losses recorded in the income statement in accordance with our accounting policy which prevents an accounting mismatch.

c) Financial instruments application

The accounting policies for financial instruments have been applied to the line items with the carrying values below:

At 31 December 2007	Loan and receivables £m	Assets at fair value through the profit and loss £m	Derivatives used for hedging £m	Available for sale £m	Total £m
Balance sheet assets					
Available for sale financial assets	–	–	–	**10**	**10**
Held to maturity investments	**100**	–	–	–	**100**
Derivative financial instruments	–	**31**	**5**	–	**36**
Trade and other receivables	**407**	–	–	–	**407**
Cash and cash equivalents	**466**	–	–	**32**	**498**
	973	**31**	**5**	**42**	**1,051**

At 31 December 2007	Liabilities at fair value through the profit and loss £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Balance sheet liabilities				
Borrowings	**249**	–	**1,047**	**1,296**
Derivative financial instruments	**10**	–	–	**10**
	259	–	**1,047**	**1,306**

At 31 December 2006	Loan and receivables £m	Assets at fair value through the profit and loss £m	Derivatives used for hedging £m	Available for sale £m	Total £m
Balance sheet assets					
Available for sale financial assets	–	–	–	37	37
Derivative financial instruments	–	4	–	–	4
Trade and other receivables	412	–	–	–	412
Cash and cash equivalents	930	–	–	31	961
	1,342	4	–	68	1,414

At 31 December 2006	Liabilities at fair value through the profit and loss £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Balance sheet liabilities				
Borrowings	449	–	1,246	1,695
Derivative financial instruments	31	–	–	31
	480	–	1,246	1,726

25 Financial instruments

The following table shows the fair value of derivative financial instruments analysed by type of contract.

	2007		2006	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Current portion:				
Interest rate swaps – fair value through the profit and loss	**–**	**–**	1	14
Forward foreign exchange contracts – cash flow hedges	**3**	**–**	–	–
Forward foreign exchange contracts – fair value through the profit and loss	**1**	**1**	–	2
	4	**1**	1	16
Non-current portion:				
Interest rate swaps – fair value through the profit and loss	**30**	**9**	3	15
Forward foreign exchange contracts – cash flow hedges	**2**	**–**	–	–
Forward foreign exchange contracts – fair value through the profit and loss	**–**	**–**	–	–
	32	**9**	3	15
	36	**10**	4	31

Interest rate swap asset valuations as at 31 December 2007 include £23 million in respect of cross currency interest rate swap hedges against the €500 million October 2011 Euro bond. Under these swaps ITV receives cash flows in Euros which match both coupon and redemption payments under the bonds and pays in Sterling 6.22% semi-annually on a notional of £167.3 million and 3 month libor plus 1.14% on a notional of £167.3 million and at maturity of the bonds it pays £334.6 million. The remaining £7 million asset valuation relates to a £125 million swap matched against half of the £250 million January 2017 bond. Under this swap ITV receives 6.125% (to match the bond coupon) and pays 3 month libor plus 0.51% with 3 month libor capped at 5.25% for rates between 5.25% and 8.0%.

Interest rate swap liability valuations as at 31 December 2007 include £6 million in respect of a £250 million swap matched against the £250 million March 2009 bond. Under this swap ITV receives 5.625% (to match the bond coupon) and pays 6 month libor plus 1.045%. Libor cannot be lower than the previous rate setting. The remaining £3 million liability relates to a number of other fixed and floating rate swaps.

All forward foreign exchange contracts hedge underlying currency exposures. The forward foreign exchange contracts which are designated as cash flow hedges relate to contractual payments for rights and transponder costs.

Interest rate swap liability valuations as at 31 December 2006 include £13million in respect of a cross-currency interest rate swap matched against the €356 million exchangeable bond which matured in January 2007. There was also a £3 million valuation in respect of the €500 million cross-currency interest rate swaps described above and a £7 million valuation in respect of the £250 million swap matched against the March 2009 bond. The remaining £6 million liability and the £4 million interest rate swap asset valuations relate to a number of other fixed and floating rate swaps.

26 Provisions

	Boxclever £m	Property £m	Contract provisions £m	Other provisions £m	Total £m
At 1 January 2007	16	6	–	5	27
Utilised in the year	(1)	(5)	–	(1)	(7)
Additions in the year	–	–	11	–	11
At 31 December 2007	**15**	**1**	**11**	**4**	**31**

Of the provisions £27 million (2006: £9 million) are shown within current liabilities.

Property provisions are in place in respect of various vacant properties. Utilisation will be over the life of these leases. The Boxclever provision relates to potential liabilities that may arise as a result of Boxclever having been placed into administration, most of which relates to pension arrangements. Contract provisions of £11 million relate to onerous contracts associated with Carlton Screen Advertising of which £2 million has been reclassified from accruals in 2007. Other provisions include provisions for warranties given at the time of corporate disposals.

Notes to the accounts

27 Assets held for sale

The Group is in the process of selling its interest in certain joint ventures and as such has classified these as assets held for sale. The investments are being sold as they are not core to the Group's main activities. Three freehold properties are also classified as held for sale. An impairment charge of £5 million has been recognised on properties during the year of which £3 million related to a property reclassified into property, plant and equipment at a net book value of £5 million at the year end. This impairment followed consultation with an independent valuer due to a fall in market rental yields. The properties are being sold as they are deemed to be surplus to future operating requirements and disposal is anticipated to be completed within one year.

	2007 £m
Property, plant and equipment	**55**
Investment in joint ventures	**4**
Net assets held for sale	**59**

28 Acquisitions and disposals of businesses

Acquisitions and disposals in 2007

12 Yard

On 4 December 2007, the Group acquired 100% of the shares in David Young 12 Yard Productions Limited and Hat Trick 12 Yard Productions Limited for a total initial consideration of £27 million and deferred consideration of up to £9 million contingent on the retention of key employees and the future performance of the acquired business.

The fair value of the consideration was £35 million. This has taken into account the initial consideration, the present value of the expected contingent consideration and other costs associated with the acquisition.

Had the acquisition occurred on 1 January 2007, the estimated revenue for the Group would have been £9 million higher at £2,091 million and operating profit before amortisation and exceptional items £2 million higher at £313 million for the year ended 31 December 2007. The acquired net assets of 12 Yard are set out in the table below:

	Book value before acquisition £m	Fair value adjustments £m	Fair value to ITV plc £m
Intangible assets	–	4	4
Cash and cash equivalents	1	–	1
Trade and other receivables	2	–	2
Trade and other payables	(1)	–	(1)
Current tax liabilities	–	(1)	(1)
Net deferred tax liability	–	(1)	(1)
Net assets	2	2	4
Goodwill on acquisition			31
Fair value of consideration			35

The intangible assets recognised at fair value included the order backlog. A deferred tax liability of £1 million was recognised in respect of these intangible assets. A £1 million corporation tax liability was also recognised reflecting amounts owing at the date of acquisition. The goodwill represents the benefit of the acquisition across the Group when combined with existing Group assets and businesses and the value of those assets not requiring valuation under IFRS 3 (Business Combinations).

Jaffe Braunstein Entertainment

On 4 May 2007, the Group acquired 51% of the shares in Jaffe/Braunstein Entertainment LLC ('JBE'), a US company, for a total consideration of £3 million taking into account the initial consideration plus other costs associated with the acquisition. JBE is a film production company in the scripted genre. The intangible assets recognised at fair value of £1 million included the film library and order backlogs. A deferred tax liability of less than £1 million was recognised in respect of these intangible assets. Goodwill of £3 million was also recognised representing the benefits of this acquisition to the Global Content segment , and of those intangible assets not requiring valuation under IFRS 3 (Business Combinations). The amounts recognised at the acquisition date for each class of JBE's assets and liabilities and the amount of profit since the acquisition date have not been separately disclosed as all figures are less than £1 million.

Enable Media

Following the acquisition of Enable Media in November 2006, provisional fair values have been adjusted and an additional £1 million of goodwill has been recognised in 2007.

Valuation of acquired intangible assets methodology

Valuation of acquired intangible assets has been performed in accordance with industry standard practice. Methods applied are designed to isolate the value of each intangible asset separately from the other assets of the business. The value of brands are assessed by applying a royalty rate to the expected future revenues over the life of the brand. Licences are valued on a start-up basis. Customer relationships and controls are valued based on expected future cash flows from those existing at the date of acquisition. Contributory charges from other assets are taken as appropriate with post tax cash flows then being discounted back to their present value. Typical discount rates applied in the valuation of intangible assets acquired in the period are 8% – 13%.

28 Acquisitions and disposals of businesses (continued)

Disposals
During the year, as part of the ongoing process to dispose of non-core businesses and investments, the Group sold its 91.5% holding of Independent Television Facilities Centre Limited (ITFC) and disposed of its interests in Arsenal Holdings plc and Liverpool Football Club and Athletic Grounds plc. The interest in ITFC was sold for total consideration of £7 million (£5 million net of cash disposed of £2 million) resulting in a gain of £5 million on disposal. The Group's 9.99% interest in Arsenal Holdings plc, along with an option over the Group's 50% interest in Arsenal Broadband Limited, was sold for a total cash consideration of £50 million and resulted in a gain of £28 million on disposal. The Group's 9.99% interest in Liverpool Football Club and Athletic Grounds plc was sold for a cash consideration of £17 million and resulted in a gain of £7 million on disposal. The Group's 33% share in MUTV Limited was sold for a cash consideration of £3 million and resulted in a gain of £3 million on disposal.

Acquisitions and disposals in 2006

Enable Media
On 23 November 2006, the Group acquired the entire share capital of Enable Media Ltd, for a total consideration of £2 million. Enable Media operates online business directories trading under the name Scoot. As part of the acquisition, loan amounts due by Enable Media totalling £1 million were repaid, bringing the total cash outflow of the Group to £3 million.

Had the acquisition occurred on 1 January 2006, the estimated revenue for the Group would have been £2 million higher at £2,183 million and operating profit before amortisation and exceptional items would have been £1 million higher at £376 million for the year ended 31 December 2006. The acquired net assets of Enable Media are set out in the table below:

	Book value before acquisition £m	Fair value adjustments £m	Fair value to ITV plc £m
Intangible assets	11	(9)	2
Trade and other payables	(11)	10	(1)
Borrowings	(1)	–	(1)
Deferred tax liability	–	(1)	(1)
Net assets and liabilities	(1)	–	(1)
Goodwill on acquisition			3
Consideration paid			2
Borrowings settled at date of acquisition			1
Total cash outflow			3

The intangible assets recognised at fair value represent customer relationships in respect of which a deferred tax liability of £1 million has been recognised.

The goodwill recognised represents the wider benefits of this acquisition to the Online segment, and of those intangible assets not requiring valuation under IFRS 3 (Business Combinations).

An additional £1 million of goodwill associated with the Enable Media acquisition was recognised in 2007 when provisional fair values were finalised.

Friends Reunited contingent consideration
During 2006, the Group re-estimated the amount of contingent consideration payable following the acquisition of Friends Reunited in 2005. Due to the strong performance of the business, the Group expected to pay the full £55 million of deferred consideration which resulted in an increase in the goodwill associated with the acquisition of £15 million (less related deferred tax of £5 million recognised through equity) and a £10 million increase in operating costs to be spread over the three-year performance period which commenced in 2006.

During 2007, the Group re-estimated the anticipated deferred tax benefit that would arise from the contingent consideration and has reduced the anticipated benefit by £14 million through equity.

Disposals
During 2006, as part of the ongoing process to dispose of non-core businesses and investments, the Group sold 021 and Granada Learning and its investments in Seven Network and TV3. The disposal of the 021 business for £4 million resulted in a nil gain or loss being booked. The sale of Granada Learning took place for a potential maximum consideration of £53 million. This comprises £17.5 million in cash, £17.5 million in loan notes and a further £18 million which is contingent on the future performance of the business. The fair value of expected proceeds has been taken as £31 million for accounting purposes resulting in a £12 million loss on disposal.

The interest in Seven Network was sold for total consideration of £87 million resulting in a profit of £29 million booked through the income statement. The interest in TV3 was sold for a total consideration of £70 million resulting in a profit of £40 million booked through the income statement.

Notes to the accounts

29 Called up share capital

The Group's share capital is the same as that of ITV plc. Details of this are given in note vi in the ITV plc company financial statements section of this annual report.

Employee benefit trusts

The Group has investments in its own shares as a result of shares purchased by certain employee benefit trusts. As at 31 December 2007 the holdings were as follows:

	2007		2006	
	Number of shares	**Market value £m**	Number of shares	Market value £m
ITV Employees' Benefit Trust	**15,647,090**	**13**	15,662,147	17
Carlton Communications Employee Share Ownership Plan	**–**	**–**	6,276,984	7

The nominal value of own shares held is £1.6 million (2006: £2.2 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.

The total number of shares held by the trusts at 31 December 2007 is 15,647,090 (2006: 21,939,131) ordinary shares representing 0.40% (2006: 0.56%) of ITV's issued share capital.

On 25 July 2007, the Trustees of the Carlton Communications Employee Share Ownership Plan sold 91,878 ordinary shares to the ITV Employees' Benefit Trust at a market value of £97,483. The Carlton Communications Employee Ownership Plan is now being wound up.

During 2007 the ITV Employees' Benefit Trust purchased ITV plc shares in the open market. In accordance with the Trust Deed, the Trustees of the ITV Employees' Benefit Trust have the power to exercise all voting rights in relation to any investment (including shares) held within that trust. During the year the following ordinary shares were released from the above trusts to satisfy awards vesting under the Group's share schemes as follows:

Shares released from:	Number of shares released	Nominal value £	Scheme
ITV Employees' Benefit Trust	**6,859,977**	**685,998**	Deferred Share Award Plan
	1,622,532	**162,253**	ITV Sharesave Plan
	116,280	**11,628**	Carlton Sharesave Plan
	259,289	**25,929**	Granada Sharesave Plan
	594,222	**59,422**	Carlton Executive Share Option Scheme
	1,735,459	**173,546**	Granada Executive Share Option Scheme
	7,549,876	**754,988**	Carlton Equity Participation Plan
	188,646	**18,865**	Carlton Deferred Annual Bonus Plan
	3,362,170	**336,217**	Granada Commitment Plan
	211,002	**21,100**	ITV Employee Bonus Plan
Carlton Communications Employee Share Ownership Plan	**6,185,106**	**61,851**	Carlton Equity Participation Plan

30 Capital and reserves

	Attributable to equity shareholders of the parent company								
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	**Total £m**	Minority interest £m	**Total equity £m**
At 1 January 2006	423	98	2,666	(1)	33	74	3,293	12	3,305
Share buy-backs	(24)	–	24	–	–	(251)	(251)	–	(251)
Shares issued in the year	2	22	–	–	–	–	24	–	24
Cancellation of convertible shares	(12)	–	–	–	–	–	(12)	–	(12)
Issue of deferred shares	12	–	–	–	–	–	12	–	12
Total recognised income and expense	–	–	–	(2)	(16)	244	226	3	229
Movements due to share-based compensation	–	–	–	–	–	(9)	(9)	–	(9)
Dividends paid to minority interests	–	–	–	–	–	–	–	(8)	(8)
Equity dividends	–	–	–	–	–	(127)	(127)	–	(127)
At 31 December 2006	401	120	2,690	(3)	17	(69)	3,156	7	3,163
Cancellation of deferred shares	(12)	–	12	–	–	–	–	–	**–**
Total recognised income and expense	–	–	–	7	(13)	201	195	1	**196**
Movements due to share-based compensation	–	–	–	–	–	4	4	–	**4**
Dividends paid to minority interests	–	–	–	–	–	–	–	(2)	**(2)**
Equity dividends	–	–	–	–	–	(122)	(122)	–	**(122)**
At 31 December 2007	**389**	**120**	**2,702**	**4**	**4**	**14**	**3,233**	**6**	**3,239**

Included within retained earnings is a £18 million (2006: £25 million) deduction for investments held in ITV plc shares by the Group-sponsored employee benefit trusts.

30 Capital and reserves (continued)

Merger and other reserves
Merger and other reserves at 31 December 2007 include merger reserves arising on the Granada/Carlton merger of £2,548 million (2006: £2,548 million), capital reserves of £112 million (2006: £112 million), capital redemption reserves of £36 million (2006: £24 million), revaluation reserves of £6 million (2006: £6 million).

Translation reserve
The translation reserve comprises all foreign exchange differences arising on the translation of the accounts of, and investments in, foreign operations. Included within the movement in the year is £5 million related to cash flow hedges (2006: £nil).

Available for sale reserve
The available for sale reserve comprises all movements arising on the revaluation and disposal of assets accounted for as available for sale.

31 Contingent liabilities
The potential for fines associated with issues arising on the use of premium rate services in programming on ITV is described in note 5. There are also contingent liabilities in respect of certain litigation and guarantees and in respect of warranties given in connection with certain disposals of businesses.

32 Operating leases
The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007 £m	2006 £m
Not later than one year	**17**	13
Later than one year and not later than five years	**53**	52
Later than five years	**153**	163
	223	228

The Group leases a number of properties principally comprising offices and studios under operating leases. Leases typically run for a period of 15 years with an option to renew the lease after that date. Lease payments are typically increased every five years to reflect market rentals. None of the leases include contingent rentals.

The total future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date is £8 million (2006: £20 million).

The total operating lease expenditure recognised during the year was £19 million (2006: £19 million) and total sublease payments received totalled £3 million (2006: £4 million).

33 Capital and other commitments
There are £1 million of capital commitments at 31 December 2007 (31 December 2006: £7 million). There are also a number of operating commitments in respect of programming entered into in the ordinary course of business.

34 Post balance sheet events
In January 2008 the Group repaid £21 million of loan notes relating to the Friends Reunited acquisition in 2005. On 5 March 2008 the Group sold its 50% interest in Liverpool FC.tv Limited for £15.75 million, plus repayment of £3.2 million of debt.

35 Related party transactions
Transactions with associated undertakings and joint ventures:

	2007 £m	2006 £m
Sales to joint ventures	**2**	2
Sales to associated undertakings	**1**	2
Purchases from associated undertakings	**42**	51

	2007 £m	2006 £m
Amounts owed by joint ventures	**33**	30
Amounts owed by associated undertakings	**–**	8
Amounts owed to associated undertakings	**1**	2
Amounts owed by pension scheme	**3**	–

All transactions with associated undertakings and joint ventures arise in the normal course of business on an arm's-length basis. None of the balances are secured.

Transactions with key management personnel
Key management consists of ITV's senior executive team. Key management personnel compensation is as follows:

	2007 £m	2006 £m
Short term employee benefits	**5**	6
Post-employment benefits	**1**	1
Termination benefits	**2**	3
Share-based payments	**6**	6
	14	16

Amounts paid to the Group's retirement benefit plans are set out in note 6.

ITV plc Company Financial Statements

Company balance sheet

At 31 December:	Note	2007 £m	2007 £m	2006 Restated £m	2006 Restated £m
Fixed assets:					
Investments in subsidiary undertakings	iii		**1,816**		1,875
Held to maturity investments			**100**		–
Derivative financial instruments			**30**		5
			1,946		1,880
Current assets:					
Amounts owed by subsidiary undertakings		**74**		11	
Prepayments and accrued income		**1**		3	
Cash at bank and in hand and short term deposits		**244**		764	
		319		778	
Creditors – amounts falling due within one year:					
Borrowings	iv	**(25)**		(466)	
Derivative financial instruments		**–**		(13)	
Amounts owed to subsidiary undertakings		**(28)**		(12)	
Accruals and deferred income		**(28)**		(35)	
Other creditors		**(53)**		(52)	
Dividends		**(52)**		(53)	
		(186)		(631)	
Net current assets			**133**		147
Total assets less current liabilities			**2,079**		2,027
Creditors – amounts falling due after more than one year:					
Borrowings	iv		**(1,186)**		(1,154)
Derivative financial instruments			**(2)**		(6)
			(1,188)		(1,160)
Net assets			**891**		867
Capital and reserves:					
Called up share capital	v		**389**		401
Share premium	vi		**120**		120
Other reserves	vi		**36**		24
Profit and loss account	vi		**346**		322
Shareholders' funds – equity			**891**		867

The accounts were approved by the Board of Directors on 5 March 2008 and were signed on its behalf by:

Michael Grade

John Cresswell

Notes to the ITV plc Company Financial Statements

i Accounting policies

Basis of preparation

As permitted by section 230(4) of the Companies Act 1985, a separate profit and loss account, dealing with the results of the parent company, has not been presented.

The Company is exempt from adopting FRS 29, "Financial Instruments: Disclosures". Under FRS 29 the Company is exempt from the requirement to provide its own financial instruments disclosures, on the grounds that it is included in publicly available consolidated financial statements which include disclosures that comply with that standard. However, to be consistent the Company has adopted the same balance sheet captions as the Group in classifying its financial instruments and has restated the 2006 balance sheet accordingly.

The Company has adopted UITF 41 'Scope of FRS 20 – Share Based Payments' for the first time in these accounts. The adoption of this interpretation represents a change in accounting policy and the 2006 comparative figures have been restated to reflect this.

Prior year adjustment

During the year the Company adopted UITF 41 'Scope of FRS 20 – Share Based Payments'. This interpretation provides guidance on the application of FRS 20 which has resulted in the Company recognising a share based payment in these accounts. In accordance with UITF 41 this is reflected in the cost of investment in subsidiary undertakings, with a corresponding increase in equity. The FRS 20 charge, including the amount relating to prior years, was recharged to subsidiary undertakings in the year and reflected as an amount owed by subsidiary undertakings at 31 December 2007. There is no impact on the profit of the Company in 2007 or 2006.

Year ended 31 December 2006	As previously reported £m	Impact of prior year adjustment £m	As restated £m
Investments in subsidiary undertakings	1,816	59	**1,875**
Profit and loss reserve	263	59	**322**

Subsidiaries

Subsidiaries are entities that are directly or indirectly controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The investment in the Company's subsidiaries is recorded at cost, adjusted for the effect of UITF 41 and recharged share scheme costs.

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of the transaction.

Borrowings

Borrowings are recognised initially at fair value, and in subsequent periods at amortised cost. The difference between cost and redemption value is recorded in the profit and loss account over the period of the liability on an effective interest basis.

Derivatives and other financial instruments

The Company uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest rates and exchange rates. The Company does not hold or issue derivative instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with movement recorded in the profit and loss account.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

Dividends

Dividends are recognised in the period in which they are declared and approved by the Company's shareholders.

ii Employees

Two (2006: two) directors of ITV plc were the only employees of the Company during the year. The costs relating to these directors are disclosed in the Remuneration report on pages 106 to 113.

iii Investments in subsidiary undertakings

The principal subsidiary undertakings are listed in note ix. The movements were as follows:

	£m
At 1 January 2007 as previously stated	1,816
Prior year adjustment	59
At 1 January 2007 as restated	1,875
FRS 20 recharge	(59)
At 31 December 2007	1,816

Notes to the ITV plc Company Financial Statements

iv Borrowings

Loans repayable within one year
Loans repayable within one year as at 31 December 2007 include £21 million of loan notes issued in connection with the purchase of Friends Reunited with a coupon of LIBOR minus 0.525%, and £4 million of loan notes issued in connection with the purchase of Carlton Communications Limited Preference Shares with a coupon of LIBOR minus 0.5%. Loans repayable within one year as at 31 December 2006 also included an unsecured €356 million exchangeable bond and an unsecured £200 million Eurobond which both matured during 2007. These bonds had coupon rates of 2.25% and 7.625% respectively.

Loan repayable after more than one year
Loans repayable after more than one year include an unsecured £250 million Eurobond which has a coupon of 5.625% and matures in March 2009, an unsecured €500 million Eurobond which has a coupon of 4.75% and matures in October 2011, an unsecured £325 million Eurobond which has a coupon of 5.375% and matures in October 2015 and an unsecured £250 million Eurobond which has a coupon of 6.125% and matures in January 2017. The coupon on the €500 million Eurobond and £250 million October 2015 Eurobond steps up to 6% and 7.375% respectively under certain conditions if ITV's credit rating with either Standard & Poor's or Moody's Investors Service falls below BBB- or Baa3 respectively.

v Called up share capital

	Authorised		Allotted, issued and fully paid	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Ordinary shares of 10 pence each				
Authorised:				
5,826,377,627 (2006: 5,826,377,627)	**583**	583		
Allotted, issued and fully paid:				
3,889,129,751 (2006: 3,889,129,751)			**389**	389
Deferred shares of 10 pence each				
Authorised:				
Nil (2006: 144,516,388)	**–**	14		
Allotted, issued and fully paid				
Nil (2006: 123,772,488)			**–**	12
Total	**583**	597	**389**	401

On 1 January 2006 convertible shares were, pursuant to Article 4.A.4(F) of the Company's Articles of Association, automatically converted into non-voting deferred shares. Pursuant to this Article, the Company used its right to execute a transfer on behalf of each holder of deferred shares of such holder's entire holding of deferred shares to a custodian without obtaining the sanction of any such holder and for no consideration. The UK Listing Authority and the London Stock Exchange have confirmed cancellation of the listing from the Official List of the deferred shares and the cancellation of trading of the deferred shares on the London Stock Exchange. The issued deferred shares were cancelled on 15 January 2007 and a resolution to cancel the authorised deferred share capital was passed at the Annual General Meeting held on 17 May 2007. Accordingly the deferred shares have now been cancelled.

The Company's ordinary shares give the shareholder equal rights to vote, receive dividends and to the repayment of capital.

The deferred shares were non-voting and had no rights to receipt of a dividend or to any repayment of capital.

There have been no issued ordinary share capital movements during the period.

vi Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	**Total £m**
At 1 January 2007 – as previously stated	401	120	24	263	808
Prior year adjustment – see note (i)	–	–	–	59	59
At 1 January 2007 – as restated	401	120	24	322	**867**
Cancellation of deferred shares	(12)	–	12	–	**–**
Retained profit for year for equity shareholders	–	–	–	9	**9**
Share-based payments	–	–	–	15	**15**
At 31 December 2007	389	120	36	346	**891**

The profit after tax for the year dealt with in the accounts of ITV plc is £131 million (year ended 31 December 2006: loss of £53 million) before dividends of £122 million (2006: £127 million).

vii Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2007 of £28 million (31 December 2006: £29 million). The Company has guaranteed certain finance and operating lease obligations of subsidiary undertakings.

There are contingent liabilities in respect of certain litigation and guarantees and in respect of warranties given in connection with certain disposals of businesses and in respect of certain trading and other obligations of certain subsidiaries. In the opinion of the directors, adequate allowance has been made in respect of these matters.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

viii Capital and other commitments

There are no capital commitments at 31 December 2007 (31 December 2006: none).

ix Principal subsidiary undertakings and investments

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 31 December 2007, all of which are wholly owned (directly or indirectly) and incorporated and registered in England and Wales except where stated, are:

Name	Principal activity
ITV Broadcasting Limited	Broadcast of television programmes
ITV Consumer Limited	Development of platforms, broadband, transactional and mobile services
ITV Productions Limited	Production of television programmes
ITV Network Limited (1)	Scheduling and commissioning television programmes
ITV Services Limited	Provision of services for other companies within the Group
ITV2 Limited	Operation of digital TV channels
ITV Digital Channels Limited	Operation of digital TV channels
12 Yard Productions (6)	Production of television programmes
3sixtymedia Limited (80% owned)	Supplier of facilities for television productions
Carlton Communications Limited	Holding company
Carlton Screen Advertising Limited	Sale of advertising space in cinemas
Friends Reunited Limited	Operation of community based websites
GMTV Limited (75% owned)	Production and broadcast of breakfast time television under national Channel 3 licence
Granada Limited	Holding company
Granada International Media Limited	Rights ownership and distribution of television programmes and films
Granada International Media, Inc (4)	Distribution of television programmes
Granada Productions Pty Limited (3)	Production of television programmes
Granada Entertainment USA (2)	Production of television programmes
Granada Produktion für Film und Fersehen GmbH (5)	Production of television programmes
Granada Ventures Limited	Production and distribution of video and DVD products
Jaffe/Braunstein Entertainment LLC (51% owned) (4)	Production of television programmes
SDN Limited	Operation of Freeview Multiplex A

(1) Interest in company limited by guarantee
(2) Registered in the USA
(3) Incorporated and registered in Australia
(4) Incorporated and registered in the USA
(5) Incorporated and registered in Germany
(6) A partnership

A list of all subsidiary undertakings will be included in the Company's annual return to Companies House.

Notes to the ITV plc Company Financial Statements

ix Principal subsidiary undertakings and investments (continued)

Principal joint ventures, associated undertakings and investments
The Company indirectly held at 31 December 2007 the following holdings in significant joint ventures, associated undertakings and investments:

Name	Note	Interest in ordinary share capital 2007 %	Interest in ordinary share capital 2006 %	Principal activity
The Ambassador Theatre Group Limited	c	**7.34**	7.34	Operation of theatres and production of theatrical productions
Arsenal Broadband Limited	b	**50.00**	50.00	Exploitation of new media and other commercial opportunities
Freesat (UK) Limited	b	**50.00**	–	Provision of a standard and high definition enabled digital satellite proposition
Independent Television News Limited	a	**40.00**	40.00	Supply of news services to broadcasters in the UK and elsewhere
Liverpool FC.tv Limited	b	**50.00**	50.00	Exploitation of new media and other commercial opportunities
Mammoth Screen Limited	a	**25.00**	–	Production of television programmes
Screenvision Holdings (Europe) Limited	b	**50.00**	50.00	European cinema advertising
SMG plc *	c	**5.60**	16.78	Management activities for holding companies and television broadcasting in central and north Scotland
Technicolor Cinema Advertising LLC**	b	**50.00**	50.00	US cinema advertising

* Incorporated and registered in Scotland
** Incorporated and registered in USA

a Associated undertaking
b Joint venture
c Trade investment

x Post balance sheet events

In January 2008 the Company repaid £21 million of loan notes relating to the Friends Reunited acquisition in 2005.

Governance

Corporate governance

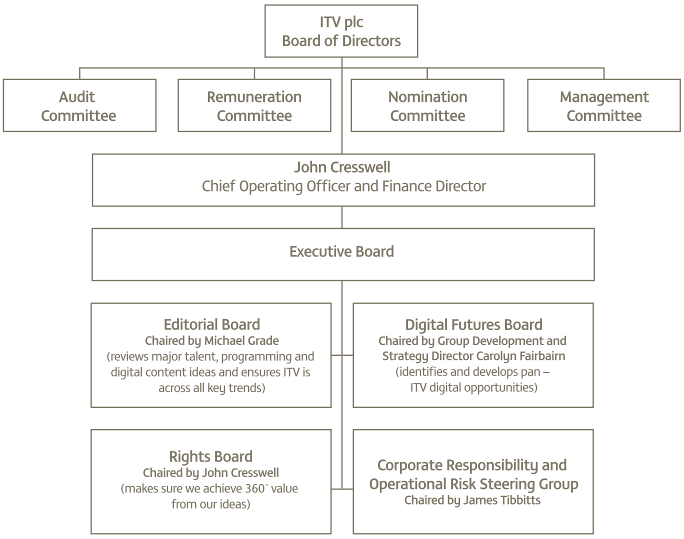
The Board of ITV plc is committed to business integrity and high ethical values across the Group's operations. As an essential part of this commitment, the Board supports high standards of corporate governance and has a policy of seeking to comply with the recommendations of the Combined Code and voting guidelines of our major institutional investors where appropriate.

Compliance

As required by the Listing Rules issued by the Financial Services Authority, this report describes how the Company has applied the principles set out in Section 1 of the Combined Code on Corporate Governance. It also discloses the extent to which the Company has complied with the Code's provisions.

The Board considers that, throughout the year, the Company complied with the provisions of the Combined Code with the exception of code provision A.2.1. The Board remains of the view that the appointment of Michael Grade as Executive Chairman provides the Company with a strong and creative leadership which is important at this time of rapid change in the media industry.

John Cresswell is Chief Operating Officer and Finance Director, and the executive team report directly to him as shown below. The balance of creative leadership and media management skills promotes an acceleration in the improvement of the Company's business. Sir James Crosby is the senior independent director and Chairman of the Nomination Committee and helps to provide an appropriate level of governance control. It is planned that Michael Grade will step down from his executive role in 2010 and remain as non-executive Chairman and a Chief Executive will be appointed at that time.



The Board

Composition: The Board currently comprises 12 members, the Executive Chairman, the Chief Operating Officer and Finance Director, two other executive directors and eight non-executive directors. Biographical details for each of the directors are set out on pages 50 and 51.

The composition of the Board during 2007 is set out in the Directors' report on page 53.

Executive Chairman: Michael Grade is Executive Chairman and is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda.

Deputy Chairman: Sir George Russell is Deputy Chairman.

Chief Operating Officer and Finance Director: John Cresswell is Chief Operating Officer and Finance Director and has responsibility to the Board for leadership and management of the day-to-day operations of the Group.

Senior independent director: Sir James Crosby was appointed as senior independent director on 19 February 2007. His role is designed to provide an effective level of governance control and to ensure there is an appropriate division of responsibilities to avoid excessive concentration of power while Michael Grade is Executive Chairman. His responsibilities include the following, amongst others:

- to act as a conduit to the Board for communication of shareholder concerns when other channels of communication are inappropriate;
- to ensure the performance evaluation of the Executive Chairman is conducted effectively;
- to ensure the outcomes of performance evaluations of the Executive Chairman and other non-executive directors are acted upon; and
- to convene and chair meetings of the non-executive directors.

Details of his professional commitments are included in his biography on page 50. The Board is satisfied that these do not interfere with the performance of his duties for the Company.

The job descriptions of the Executive Chairman, the Chief Operating Officer and the senior independent director are set out in writing and have been agreed by the Board.

Election and re-election: All directors are required by the Company's Articles of Association to be elected by shareholders at the first Annual General Meeting following their appointment by the Board. Subsequently, all directors are subject to re-election by shareholders at least every three years. The directors who will be seeking election and re-election at the Annual General Meeting on 15 May 2008 are set out in the Directors' report on page 53. The reasons why the Board believes they should be re-elected are set out in the explanatory notes to the notice of the Annual General Meeting.

External directorships: With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies (but only one FTSE 100 company) and retain any related fees paid to them. Details of fees received during 2007 can be found in the Remuneration report on page 109.

Non-executive directors

The non-executive directors constructively challenge and help develop proposals on strategy. They bring strong, independent judgment, knowledge and experience to the Board's deliberations. The non-executive directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

Independence: The Combined Code recommends that at least half of the Board, excluding the Chairman, should comprise "independent" non-executive directors. The Board considers each of its current non-executive directors to be independent.

Meetings: The non-executive directors meet regularly as a group. They met without the executive directors present on one occasion in 2007 and have done so again in 2008.

Terms of engagement: Subject to the Company's Articles of Association, the Companies Act and satisfactory performance evaluation, non-executive directors are appointed for an initial period of three years from commencement of appointment. At the third anniversary of appointment the director will discuss with the Board whether it is appropriate for a further term to be served, subject to the Board succession planning framework (explained in the Nomination Committee section on page 102) which provides that any further term may be adjusted in length should that be in the interests of an orderly succession of non-executive directors to the Board. The re-appointment of directors who have served for more than nine years will be subject to annual review.

Baroness Usha Prashar completed three years as a non-executive director in February 2008. It was agreed that she should serve a further term subject to the Board succession planning framework.

Time commitment: The time commitment expected of the non-executive directors as set out in their standard terms of engagement is 12 to 18 days per annum, including attendance at Board meetings, Board committee meetings, the Annual General Meeting, an annual strategy away day and an annual strategy dinner. The Board is satisfied that each of the non-executive directors commits sufficient time to the business of the Company.

Corporate governance

Company Secretary

The Company Secretary, James Tibbitts, is responsible for advising the Board on all governance matters. The directors have access to the advice and services of the Company Secretary. The Company's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary acts as secretary of the Board and all its Committees and in addition is responsible for a number of the head office central services functions.

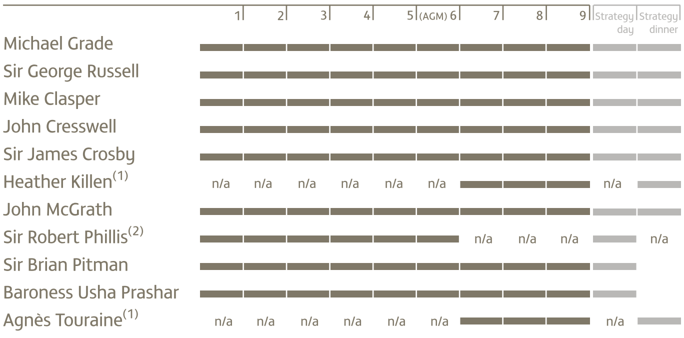
How the Board operates

Board meetings: The Board is scheduled to meet ten times in 2008 (including two meetings devoted to discussion of strategic matters) and may meet at other times as and when required. The Board approves annually a schedule of matters to be considered at each meeting and at each meeting of the Audit, Nomination and Remuneration Committees.

In 2007, the Board focused on the following areas of strategic importance to the Company, amongst others:

- the development and implementation of the Turnaround strategy, providing the Company with a clear strategic focus up to 2012;
- the Company's preparations for digital switchover and the development of a new free-to-view satellite proposition, Freesat, a joint venture with the BBC;
- the circumstances surrounding the premium rate services issues, including the Deloitte report into failings, and the actions the Company was taking to restore trust and improve enterprise risk management;
- the launch of the extensively redeveloped itv.com complete with video-on-demand ("VOD") services, and the development of further VOD services with the BBC and Channel 4;
- the Company's submission to the Competition Commission following the acquisition by BSkyB of an 17.9% stake in the Company; and
- refining and implementing a succession planning framework for the Board and senior executives.

Attendance: Attendance of directors at board and strategy meetings and the Annual General Meeting during 2007 is set out below. Board members receive all papers tabled at meetings even if they are unable to attend.



(1) Appointed to the Board on 8 August 2007
(2) Resigned from the Board on 2 October 2007
Non attendance has been due to unavoidable prior commitments

Responsibility and delegation: The specific responsibilities are set out in a schedule of matters reserved to the Board. These include:

- setting long-term objectives and corporate strategy and approving an annual budget;
- approving major acquisitions;
- approving major divestments and capital expenditure;
- approving appointments to the Board;
- reviewing systems of internal control and risk management; and
- approving policies relating to directors' remuneration.

The Board has delegated certain responsibilities to board committees, the key committees being the Audit Committee, Nomination Committee, Remuneration Committee and the Management Committee. Further information is provided below.

Information flow: Regular reports and papers are circulated to the directors in a timely manner in preparation for board and committee meetings. These papers are supplemented by other relevant information when applicable or if requested.

The non-executive directors receive monthly management accounts and regular management reports including financial and non-financial KPIs which enable them to scrutinise the Group's and management's performance against agreed objectives. They also receive a weekly information pack which includes key performance data, information about the Company and other corporate governance matters. This information is also made available on a secure website which can be accessed by all directors at any time.

Independent professional advice: Directors are given access to independent professional advice at the Company's expense when the directors deem it necessary in order for them to carry out their responsibilities.

Insurance: The Company maintains liability insurance for its directors and officers with a cover limit of £75 million.

Indemnities: The Company has entered into deeds of indemnity with its directors.

Board effectiveness

Performance evaluation: The Board has established a formal process for the annual evaluation of the performance of the Board, its committees, and individual directors with particular attention given to those who are due for re-election, in accordance with the requirements of the Combined Code. The directors are made aware, on appointment, that their performance will be subject to an annual evaluation.

Some of the actions taken during the year resulting from the 2006 evaluation included:

- ensuring appropriate mix of experience and expertise; and
- more detailed reviews on board and management succession planning.

In November 2007 independent consultants, Boardroom Review, carried out an evaluation of the effectiveness of the Board and its committees, individual directors and the Executive Chairman.

The evaluation process included a written questionnaire and an interview with each director and the Company Secretary. The questions covered a range of issues such as board processes, board roles and responsibilities, board agendas, committee processes, individual effectiveness, training and continuing professional development. The independent consultant also attended the November board and committee meetings, and reviewed associated papers.

Feedback from the evaluation process was provided to the Board in the form of a presentation at a board meeting and a written report. The review made the following suggestions, amongst others, for enhanced effectiveness:

- Nomination Committee membership could be expanded to include all non-executive directors to improve co-ordination of information;
- the Board should consider stakeholder mapping to analyse and review stakeholder priorities on a regular basis; and
- the programme of board meetings scheduled for the year and meetings of non-executive directors without the executives should be kept under review.

The Board and its committees were found to be operating effectively and the Board has accepted the recommendations made as a result of the review process and will make changes to reflect them.

Induction and continuing professional development: The Company has a policy and programme for induction and continuing professional development, which is reviewed annually.

On appointment, each director takes part in a comprehensive induction programme where they:

- receive information about the Group in the form of presentations by executives from all parts of the business and on the regulatory environment;
- meet representatives of the Company's key advisers, such as the Company's auditors and solicitors;
- receive information about the role of the Board and the matters reserved for its decision, the terms of reference and membership of board committees and the powers delegated to those committees;
- receive information about the Company's corporate governance practices and procedures and the latest financial information about the Group; and
- are advised of their legal and other duties and obligations as a director of a listed company.

The above is supplemented by visits to key locations, including studios and regional sites, and meetings with key senior executives and with major shareholders where appropriate.

During their period in office, the directors are continually updated on the Group's businesses and the competitive and regulatory environments in which they operate. They receive regular updates on:

- corporate responsibility matters;
- changes affecting the Group and the markets in which it operates through written briefings and meetings with senior executives across the Group and from meetings with key advisers; and
- changes to the legal and governance requirements of the Group and in relation to their own position as directors.

During 2007 the directors were fully briefed by independent advisers on certain of the provisions of the Companies Act 2006 with particular emphasis on directors' duties.

Internal control

The Combined Code requires the Board to review, at least annually, all material internal controls including financial, operational, compliance controls and risk management systems. In October 2005 the Financial Reporting Council issued revised guidance to directors in respect of compliance with the internal control requirements of the Combined Code. In the opinion of the Board the Company has complied with this guidance throughout the year, maintaining an ongoing process for identifying, evaluating and minimising risk.

A section on the Company's approach to internal control is included in the Audit Committee report on page 105. The Board has conducted a review of the effectiveness of the Group's systems of internal controls for the year ended 31 December 2007.

Relations with shareholders

The Board attaches a high priority to communications with shareholders. In addition to the preliminary and interim results presentations and the Annual General Meeting, a series of meetings between institutional shareholders, the Executive Chairman, the senior independent director and the Chief Operating Officer and Finance Director are held throughout the year. In fulfilment of the obligations under the Combined Code, the Executive Chairman gives feedback to the Board on issues raised with him by major shareholders.

In line with best practice the Board commissioned an Investor Audit during 2007 to assess investor and wider market perceptions of the Company over time and, in particular, following the announcement of the new strategy in September 2007. The audit included both quantitative analysis and a qualitative assessment based on interviews with a number of leading shareholders.

The Company maintains a corporate website containing a wide range of information of interest to institutional and private investors. The Company has frequent discussions with institutional shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual results with the Company's largest institutional shareholders. In addition, the Company responds to individual ad hoc requests for discussions from institutional shareholders.

Save in exceptional circumstances, all members of the Board will attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with directors prior to and after the formal proceedings. At the meeting the Executive Chairman reviews the Group's current trading. Notice of the Annual General Meeting, together with any related documents, is made available to shareholders on our website or mailed to them if they have elected to receive hard copies about seven weeks before the meeting and separate resolutions are proposed on each substantially separate issue. At the meeting all resolutions are taken on a poll. The level of votes lodged on a resolution is announced to the meeting following voting and is made available on a regulatory news service and on the Company website at www.itvplc.com the following day.

Board committees

The Company Secretary acts as secretary to all of the Board committees and minutes of meetings are circulated to all Board members. The terms of reference for each committee are reviewed annually.

Current committee membership:

	Status	Nomination	Remuneration	Audit	Management
Dawn Airey	Executive				■
Mike Clasper	Independent	■		Chairman	
John Cresswell	Executive				■
Sir James Crosby	Independent	Chairman	■		
Michael Grade	Executive				■
Rupert Howell	Executive				■
Heather Killen	Independent	■	■		
John Ormerod	Independent	■		■	
Sir Brian Pitman	Independent	■	■		
Baroness Usha Prashar	Independent	■	Chairman		
Sir George Russell	Independent	■		■	
Agnès Touraine	Independent	■		■	

Audit Committee

Composition and attendance: During 2007 the Audit Committee comprised:

	Appointed	Resigned
John McGrath (Chairman)		17 January 2008
Mike Clasper		
Sir James Crosby		19 February 2007
Baroness Usha Prashar		1 September 2007
Sir George Russell	1 September 2007	
Agnès Touraine	8 August 2007	

John McGrath resigned from the Board on 17 January 2008 and Mike Clasper became Chairman of the Committee. John Ormerod became a member of the Committee on 18 January 2008.

Attendance during 2007:

	1	2	3	4
John McGrath	■	■	■	■
Mike Clasper	■	■	■	■
Baroness Usha Prashar	■	■	■	n/a
Sir George Russell	n/a	n/a	n/a	■
Agnès Touraine	n/a	n/a	n/a	■

The Combined Code requires the Board to be satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Board considered this requirement during 2007, and concluded that the wide range of business and financial experience of the Committee members as a whole, gained at the highest level of UK FTSE 100 companies and other blue-chip organisations, was sufficient to enable the Committee to fulfil its terms of reference in a robust and independent manner. The appointment of John Ormerod in January 2008 will strengthen the position further. Biographical details of the members of the Committee are set out on pages 50 and 51.

Corporate governance

Terms of reference: The Committee's main role and responsibilities include to:

- monitor the integrity of the consolidated and parent company financial statements;
- review the effectiveness of the Group's internal control and risk management systems;
- review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- monitor and review the effectiveness of the Group's internal audit function; and
- consider and make recommendations to the Board in relation to the appointment, re-appointment, replacement and remuneration of the Company's external auditor.

The full terms of reference for the Committee are available at www.itvplc.com

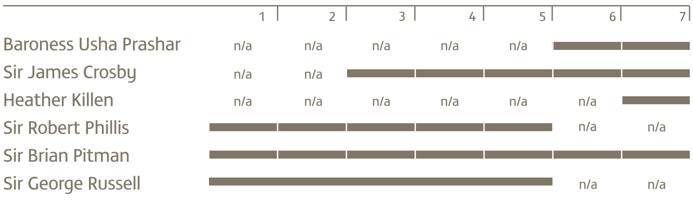
Activities in 2007: Please see the Audit Committee report on page 104.

Remuneration Committee

Composition and attendance: During 2007 the Remuneration Committee comprised:

	Appointed	Resigned
Baroness Usha Prashar (Chairman)	1 September 2007	
Sir James Crosby	19 February 2007	
Heather Killen	29 November 2007	
Sir Robert Phillis		2 October 2007
Sir Brian Pitman		
Sir George Russell		1 September 2007

Attendance during 2007:



Terms of reference: The Committee's main role and responsibilities include to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's executive directors, the Company Secretary and other senior executives;
- review the ongoing appropriateness and relevance of the remuneration policy;
- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the Board and shareholders;
- ensure that contractual terms on termination recognise that failure is not rewarded; and
- oversee any major changes in employee benefits structures throughout the Company and Group.

The full terms of reference for the Committee are available at www.itvplc.com

Activities in 2007: Please see the Remuneration report on page 106.

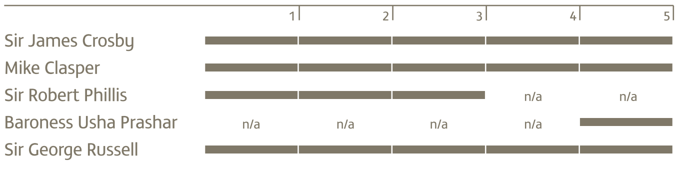
Nomination Committee

Composition and attendance: During 2007 the Nomination Committee comprised:

	Appointed	Resigned
Sir James Crosby (Chairman)		
Mike Clasper		
John McGrath		5 March 2007
Sir Robert Phillis		2 October 2007
Sir Brian Pitman		5 March 2007
Baroness Usha Prashar	29 November 2007	
Sir George Russell		

Heather Killen, John Ormerod and Agnès Touraine were appointed to the Committee on 4 February 2008. Sir Brian Pitman was reappointed on 5 February 2008.

Attendance during 2007:



Terms of reference: The Committee's main role and responsibilities include to:

- review the structure, size and composition of the Board;
- identify and nominate for board approval, candidates to fill board vacancies;
- evaluate the balance of skills, knowledge and experience on the Board; and
- consider succession planning for directors and other senior executives.

The full terms of reference for the Committee are available at www.itvplc.com

Activities in 2007: The Committee led the search for the three new non-executive directors who were appointed to the Board during the year or shortly thereafter: Heather Killen, Agnès Touraine and John Ormerod. The search was conducted with the help of a professional search firm. The Committee considers the composition of the Board on an annual basis to ensure that it comprises the appropriate balance of skills and experience.

During the year the Committee formalised a succession planning framework for the Board. The objectives of the framework are to ensure:

- board tenure is appropriate and encourages fresh thinking and new ideas;
- the Board has the appropriate mix of generalist and specialist skills for the Company's changing requirements; and
- non-executive directors have the appropriate level of independence, from the executive and from each other.

Implementing these objectives will involve a continuous process of refreshment of the Board with new appointments and with rotation of membership of board committees. Directors may normally expect to serve for approximately six years, though a longer term may be appropriate in some instances.

The Committee also reviewed succession planning for key executives throughout the Group. This has involved both internal promotion and external recruitment. In 2007, five members of the senior team (with a range of skills and experience) joined the Executive Board from other organisations.

Management Committee
The Management Committee comprises the executive directors. The Committee meets as required to conduct the Company's business within the clearly defined limits delegated by the Board and subject to those matters reserved to the Board. The terms of reference for the Committee are available on the Company's website at www.itvplc.com.

Contacts for corporate governance

Executive Chairman	Michael Grade
Senior independent director	Sir James Crosby
Chief Operating Officer and Finance Director	John Cresswell
Company Secretary	James Tibbitts

Telephone: 020 7156 6000

Governance documents
The following documents are available on the Company's website at www.itvplc.com:

- Job descriptions for the Executive Chairman, Chief Operating Officer and senior independent director;
- Terms of engagement for non-executive directors;
- Schedule of matters reserved for the Board;
- Terms of reference for Audit, Remuneration, Nomination and Management Committees;
- Guidelines for seeking independent advice;
- Board performance programme;
- Directors' indemnity; and
- Terms of reference for remuneration consultants.

Audit Committee report

Role of the Audit Committee

The role of the Audit Committee (the "Committee") is to monitor the integrity of the financial statements of the Company, assist the Board in reviewing the effectiveness of the Company's internal control and risk management systems, and review arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee is also responsible for reviewing the effectiveness of the Company's internal audit function and making recommendations to the Board in relation to the appointment, re-appointment, replacement and remuneration of the Company's external auditor.

The Committee works to a structured programme of activities with agenda items focused to coincide with key events of the annual financial reporting cycle, together with standing items that the Committee is required to consider regularly.

Further details regarding the Committee can be found in the Corporate Governance section on page 101.

Composition of the Committee

The Committee is comprised entirely of independent non-executive directors. The current members are:

- Mike Clasper (Chairman)
- John Ormerod
- Sir George Russell
- Agnès Touraine

Full details on membership of the Committee throughout 2007, and details of attendance at Committee meetings, can be found in the Corporate Governance section on page 101.

At the invitation of the Chairman of the Committee, the Chief Operating Officer and Finance Director, the Deputy Group Finance Director, the Director of Internal Audit and representatives of senior management and the external auditors regularly attend Audit Committee meetings. The Committee as a whole has the opportunity to meet privately with the internal and external auditors at any time they consider appropriate. In 2007 one private meeting was held with the external auditors.

Activities in 2007

The Committee met four times in 2007 and discharged its responsibilities by:

- reviewing the Group's draft financial statements (including detailed disclosures) prior to board approval;
- reviewing the appropriateness of the Group's accounting policies and considering related accounting treatments in specific areas such as revenue recognition;
- performing a specific review of the Group's goodwill accounting, including the methodology and assumptions made in relation to goodwill impairment testing;
- reviewing and approving the annual external audit plan;
- reviewing the external auditors' reports on their work, considering the findings of that work and confirming that all significant matters had been satisfactorily resolved;
- reviewing the management letter arising from the 2006 year-end external audit;
- considering a review of the effectiveness of the external auditors;
- monitoring regularly the non-audit services being provided to the Group by its external auditors. The Committee has approved a formal policy governing the independence of the Company's external auditors and defining those non-audit services that may be provided to the Group, including those which require the prior approval of the Committee. Details of the related audit and other services are set out in note 4 of the consolidated financial statements on page 68:
- reviewing and approving the internal audit plan and resources for the internal audit function. The internal audit plan is constructed by taking a risk based approach with the review cycle designed such that financially material operations and areas of significant change are reviewed in a given year with all activities reviewed at least once every three years;
- considering internal audit reports, the actions taken to implement the recommendations made in those reports and the status of progress against previously agreed actions;
- reviewing the results of the annual Group risk assessment process, including consideration of a rolling programme of risk and internal control presentations made by each operating team and central service functions;
- reviewing an annual report on the effectiveness of the Group's systems of internal control and reporting to the Board on the results of that review;
- reviewing the procedural changes to be implemented as part of the review into premium rate services, as highlighted in the Business review section on page 30;
- meeting privately with both the external and internal auditors, without management being present, to discuss the remit of management's work and any issues arising from their performance;
- considering proposed policies in respect of interest rate management and tax risk management prior to presentation to the Board for approval;
- considering the Group's expenditure approval framework prior to board review and approval;
- considering regulatory and professional developments in respect of financial accounting and reporting; and
- receiving reports from the Treasury department on their activities.

Auditor's independence and objectivity

The Committee regularly monitors the other services being provided to the Group by its external auditors, and has developed a formal policy to ensure this does not impair their independence or objectivity, and that the Group maintains a sufficient choice of appropriately qualified audit firms. The policy sets out four key principles which underpin the provision of other services by the external auditors: the auditor should not audit its own firm's work, make management decisions for the Group, have a mutuality of financial interest with the Group, or be put in the role of advocate for the Group. The policy sets a maximum 1:1 ratio for the annual split between audit and other fees charged by the external auditor. The Committee has pre-approved the categories of other services that may be performed by the external auditors and explicitly set out the categories of work that they may not perform. For this purpose auditing the accounts of subsidiaries and associates pursuant to legislation and other services provided pursuant to legislation are regarded as audit services. The Committee believes that these policies accord with governance best practice. Committee approval is required for any engagement of the external auditors where the fee is likely to be in excess of £0.1 million.

The Committee reviews all services being provided by the external auditors to review the independence and objectivity of the external auditors, taking into consideration relevant professional and regulatory requirements, so that these are not impaired by the provision of other permissible services. The Committee also performs a specific evaluation of the performance of the external auditors annually, through assessment of the results of questionnaires completed by relevant executive management in addition to Committee members' own views of auditor performance. The Company will carry out market testing or a form of audit tender every five years from appointment of external auditors.

Internal control
The Board has overall responsibility for the Group's systems of internal control and for regularly reviewing the effectiveness of those systems. The Committee assists the Board in reviewing the Group's systems of internal control. The primary responsibility for the operation of these systems is delegated to line management. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key control procedures are designed to manage rather than eliminate risk and can be summarised as follows:

- **Strategy and financial reporting**: The Group performs a comprehensive annual strategy review and budgeting process. The executive directors review budgets and strategies and the Board approves the overall Group budget as part of its normal responsibilities. The results of operating units are reported monthly, compared with their individual budgets and forecast figures and are reviewed on a month-by-month basis.
- **Organisational structure and authorisation procedures**: The Group has an established organisational structure with clearly stated lines of responsibility and reporting. Authorisation procedures in respect of matters such as purchase commitments, capital expenditure, investment limits and treasury transactions are clearly defined.
- **Control environment**: Financial controls and procedures are considered as part of the Group's ongoing risk assessment process and are reviewed as part of the Group's internal audit work programme.
- **Risk assessment**: Management has responsibility for the identification of risks facing each of the Group's businesses and for putting in place controls and procedures to mitigate and monitor those risks. A formal annual risk assessment process has been established, the results of which are reported to the executive directors and the Board. Key risks, mitigating controls and required actions are identified and monitored by the executive directors and the Committee. In addition, a rolling programme of risk assessment presentations is made to the Committee to enable it to review the risks in these areas at least once a year. The Chief Operating Officer, Deputy Group Finance Director and Company Secretary attend these presentations. From 2008, risk management will be strengthened through the establishment of an Enterprise Risk Management process. This builds upon the existing processes to formalise executive management input, increases the amount of senior management validation review and improves the cross-business focus on ITV's key risks.
- **Reviewing and monitoring the effectiveness of internal controls**: Controls are monitored by management review, Internal Audit, the executive directors and the Committee. Directors of each business team are required annually to confirm compliance with internal control in their area. Serious control weaknesses (if any) are reported to the Board and actions taken as appropriate.

The Committee is authorised by the Board to seek any information that it requires from any employee and to obtain, at the Company's expense, independent legal or professional advice on any matter within its terms of reference and to call any employee to be questioned at a meeting of the Committee as and when required.

Approval
This report was approved by the Board of Directors on 5 March 2008 and signed on its behalf by:

Mike Clasper
Chairman, Audit Committee

Remuneration report

Role of the Remuneration Committee

The role of the Remuneration Committee (the "Committee") is to review and approve the remuneration strategy and policy for the Executive Chairman, executive directors and senior executives of the Company.

The Committee also has responsibility for the Company's performance related pay schemes and share incentive plans, and the levels of awards made under them as they apply to the senior executives.

Further details regarding the Committee can be found in the Corporate Governance section on page 102.

Composition of the Committee

The Committee is comprised entirely of independent non-executive directors. The current members are:

- Baroness Usha Prashar (Chairman)
- Sir James Crosby
- Heather Killen
- Sir Brian Pitman

Full details on membership of the Committee throughout 2007, and details of attendance at Committee meetings, can be found on page 102.

During 2007, the Committee met seven times. Certain executives were invited to attend meetings in order to provide support or to advise on policy for executive remuneration. The Executive Chairman and Chief Operating Officer and Finance Director may attend by invitation, and external advisers may be invited to attend where appropriate. No individual is involved in decisions relating to their own remuneration.

The Committee has appointed Deloitte and Touche LLP ("Deloitte") as external independent advisers. In addition, Deloitte provided the Group with tax and corporate finance advice under separate engagement terms. Advice on legal matters is provided by Lovells. The Committee's internal advisers are the Group Human Resources Director and the Company Secretary.

Remuneration policy

The Board is committed to building the most appropriate remuneration policy for the Company. In doing this the Committee has designed a remuneration policy which is intended to address the Company's operational requirements while taking into account prevailing best practice.

The remuneration policy is based on the following key principles:

- total remuneration opportunities should be competitive and sufficient to attract, retain and reward the high quality executive talent necessary to drive the Company's future in the particularly competitive media market;
- long term remuneration should be tied to the achievement of specific stretching performance conditions which align executive remuneration with shareholders' interests. The share incentive schemes encourage senior executives to adopt the attitude of owners and build significant shareholdings in the Company;
- performance is measured over clearly specified time horizons over the short, medium and long term;
- all employees have an important role to play in the success of the Company, and as such have the opportunity to be rewarded through an annual bonus and a new long-term incentive linked to the Turnaround strategy; and
- individuals should be rewarded for success and steps should be taken, within contractual obligations, to minimise rewards for failure. Payments to directors on termination will only reflect contractual obligations.

The Committee considers the wider context of the Group when taking decisions. The Group Human Resources Director, as the Committee's main internal adviser, provides updates on wider remuneration, employee relations and human resource issues. Updates on the external executive remuneration environment are provided by Deloitte.

The Company's remuneration policy has evolved over time to respond to commercial pressures, evolving market practice and shareholder expectations. Investors are consulted about any key issues that arise and are provided with the opportunity to endorse the Company's remuneration policies on a regular basis through the vote on the Remuneration report.

Components of reward

The reward package for senior executives consists of a combination of incentive schemes intended to provide motivation and reward for short, medium and long term performance and to retain key senior management over the longer term. Each component is intended to fulfil a different function within the remuneration framework.

Salary and approach to competitive positioning

Market positioning of salary and other elements of reward is approached on an individual basis. The aim is for base salary to be set around market median, whilst recognising the need on occasion for an appropriate premium to recognise superior talent. The Board is of the view that a senior executive team of high calibre is critical to developing and delivering the Turnaround strategy and to delivering long term value. Therefore, in a number of instances this year, senior individuals with exceptional industry knowledge and commercial skills have been recruited to the Senior Executive team, and the Committee has judged it appropriate to pay a talent premium.

In line with the majority of employees and senior executives, executive directors' base salaries are reviewed on an annual basis, effective from 1 January. The salaries of Michael Grade, John Cresswell, Dawn Airey and Rupert Howell remain at market competitive levels and therefore the Committee determined that they would not receive any increase at 1 January 2008 over their 2007 salaries. The salaries of Dawn Airey and Rupert Howell (basic salary of £450,000 per annum in each case) were market competitive at the time of their appointments in October 2007, and have not been subject to increase since then.

Short term and deferral incentives

Annual incentives are provided for most senior executives and other key management talent through an annual bonus opportunity ("bonus"). The total opportunity for executive directors will not normally exceed 150% of a participant's annual salary.

Half of any pre-tax bonus entitlement will automatically be deferred into shares under the Deferred Share Award Plan ("DSA") which for executive directors will vest 12 and 24 months after the end of the financial year to which the bonus relates. Participants may elect to take the balance of the bonus in cash or as further share awards under the DSA.

The level of bonus is based on the achievement of a combination of corporate financial, specific business and individual targets, which are all closely related to shareholder value creation.

For awards made in respect of 2008 performance, the corporate financial and strategic element will require the achievement of demanding targets based on profit, revenues and share of commercial impacts as well as the use of online platforms. These targets are fully integrated with the strategic value drivers in the business and are aligned with the Turnaround strategy.

For the senior executives, the targets are predominately weighted towards corporate financial performance. Given the importance of improving performance through cultural change, an element of the bonus will depend on an improvement in culture (as measured through the 2008 Denison survey of all employees), and part of the award will depend on individual behaviour against our values (evaluated through 360 degree assessment).

The bonus principles extend to a management population of around 150 individuals. The performance measures that apply across this group are considered on an individual and team basis and are fully integrated with the strategic measures that apply at executive level. Broad participation in the bonus (and therefore the DSA) provides a comprehensive and fully integrated remuneration framework, which encourages appropriate business decisions in the near-term and supports the creation of long term shareholder value.

The Company also operates an all-employee bonus scheme linked to the same corporate financial targets that apply to the senior executive team's bonus opportunities.

The Committee has taken account of PRS issues in calculating annual bonuses awarded to the senior executives for 2007.

Long term incentive plans

The Committee keeps the Company's long term incentive plans under regular review to ensure they remain appropriate in fulfilling their objectives and that the performance conditions continue to represent the best way to drive the creation of value in alignment with shareholders' interests.

Turnaround Incentive Award for the Executive Chairman

In accordance with his terms of appointment, a one-off award was granted to the Executive Chairman during the year. This award operates over a five-year time horizon, and is aligned with the key indicators of shareholder value creation over the period to 2012 (being the completion of the digital switchover process).

The award was formally granted on 13 September 2007 in the form of a nil-cost option over shares with a face value of £6 million based on the average share price from 2 to 5 January 2007 (which was £1.06). This is equivalent to an award of 150% of initial salary per annum over the five-year performance period. As a condition of the award he has until 30 June 2008 to acquire and then hold shares with a value of 100% of his salary (which can include any shares awarded under the DSA in 2008 for performance in 2007) until the relevant vesting dates.

The award will vest dependent on performance measures described below. Up to 50% of the portion of the award subject to Total Shareholder Return ("TSR") (i.e. 25% of the total award) may vest at 31 December 2009 if the TSR condition is satisfied at this time. Any portion of this award that does not vest at this point will remain in effect and be tested with the balance of the award at 31 December 2011.

The Executive Chairman is not eligible to receive any award under the Company's other long term incentive plans within two years.

Turnaround Plan (the "Plan")

The Committee considered it appropriate that key senior executives should be incentivised on a basis consistent with the Executive Chairman.

The Plan was approved by shareholders at the Annual General Meeting on 17 May 2007, and is being used as the primary long term incentive plan.

Awards over nil-cost options were made to a number of key senior executives during 2007 with a maximum value of up to 550% of the individual's salary. Awards are subject to performance over a five year period, and so will not fully vest until financial results are published in 2012 for the year ending 31 December 2011.

Participants will be required, within a specified period following grant, to acquire and retain a number of shares with a value of up to 100% of annual base salary for the duration of the relevant performance period. Compliance will be monitored by the Committee, and participants may forfeit an award if they do not satisfy this requirement.

The award will vest dependent on the performance conditions described below. Up to 50% of the portion of the award subject to TSR (i.e. 25% of the total award) may vest at 31 December 2009 if the TSR condition is satisfied at this time. Any portion of the award that does not vest at this point will lapse. The balance of the award will be tested at 31 December 2011.

If an individual receives an award under the Plan, that individual is not able to receive any award under the Company's other long term incentive share plans within two years of the adoption of the Plan.

Performance conditions for the Turnaround Incentive Award and Turnaround Plan

The performance conditions were devised in consultation with the top institutional shareholders. 50% of the awards are subject to relative TSR performance, with the balance of the awards subject to selected strategic performance measures, directly linked to the achievement of the Turnaround strategy.

TSR

50% of an award will be subject to TSR performance measured against a broad comparator group selected from the FTSE 100 (excluding certain industry sectors that are less relevant as a benchmark of performance). 25% of this portion of the award will vest for median performance and straight line vesting will occur up to full vesting for upper quartile performance. Details of the comparator companies can be found on page 110.

Strategic Performance Targets

There are four strategic targets as outlined in the table below, each having an equal weighting. For achieving threshold performance, 25% of the award relating to each target will vest, with full vesting for achieving the maximum target. Between these points awards will vest on a straight line basis:

Strategic target	Threshold	Maximum
Share of commercial impacts (ITV Family)	36.6%	38.5%
Revenue growth	2% p.a.	5% p.a.
Adjusted EPS (in line with that reported in the Group's financial statements)	8p	12p
Share price	£1.35	£2.25

Share price will be measured as an average over any 28 day period within the final three years of the plan.

Vesting

Once vested, awards will remain exercisable until 31 December 2012. Any portion of the award that does not vest following the publication of the financial results for the year ended 31 December 2011, or that is not exercised by 31 December 2012, will lapse and the Plan will terminate.

Committee discretion

The Committee is mindful that strategic performance measures must demand real stretch in performance to ensure optimum value creation for shareholders. Equally, individual targets must remain realistic against budget expectations and the economic outlook as this evolves over the five year period. In particular the Committee will retain some discretion to amend the targets if appropriate in order to take account of changed circumstances, in particular any material corporate activity (which may include acquisitions and disposals). If the Committee exercises its judgment on these matters and makes an adjustment to the targets or the vesting outcome which is considered material, then the Committee will inform shareholders of the factors they considered in subsequent Remuneration reports. The Trustee of the ITV Employees' Benefit Trust (the "Trustee") may, having consulted the Committee, amend the performance conditions that apply to an award if, in the opinion of the Trustee and the Committee, the condition would be a fairer measure of performance.

Leaver provisions

Standard good leaver provisions apply (broadly relating to compassionate circumstances). In these circumstances, awards will be pro-rated for service, but continue in effect until the normal vesting date, and vesting will remain subject to performance assessed at the end of the performance period. If the participant dies, the award will become exercisable immediately and will be pro-rated for time and performance as determined by the Committee. If a participant ceases to be employed for any other reason, the award will lapse unless the Trustee in consultation with the Committee determines otherwise.

Change of control

In the event of a change in control, awards will be pro-rated for time as follows:

- 60% if the event occurs between 1 January 2008 and 31 December 2008;
- 80% if the event occurs between 1 January 2009 and 31 December 2009; and
- 100% thereafter.

If a change of control occurs within the first three financial years, the pro-rated award will become exercisable based upon the Company's relative TSR performance to the relevant date, as if this condition applied to the whole award. After this point performance will be measured according to the TSR condition and progress towards achievement of strategic targets will be considered.

Turnaround Incentive Opportunity

In recognition of the contribution all employees will make to the future success of the Company, and following the introduction of the Turnaround Plan, a corresponding long-term, cash-based incentive for the wider management and employee population, known as the Turnaround Incentive Opportunity, has been introduced from 1 January 2008.

Remuneration report

In order to align the interests of participants and provide all employees with a clear focus on the Turnaround strategy, awards made under the Turnaround Incentive Opportunity are subject to the same performance conditions as those outlined above for the Turnaround Plan with the exception that relative TSR performance will be measured from January 2008.

Performance Share Plan ("PSP")

The PSP has been used in previous years to provide a long term incentive for the management population.

No PSP awards will be made to any Turnaround Plan participants for two years following the adoption of the Plan. As a result no awards were made under the PSP during 2007.

In previous years, the maximum award made under the PSP has been 150% of salary in respect of any financial year.

Vesting of awards is dependent on the TSR performance of the Company, against the customised FTSE 100 comparator group, excluding those sectors which do not provide a benchmark of performance that would be relevant to the Company (detailed on page 111), over a three-year period. There is no vesting for performance below median. 35% of the award vests at median and 100% at upper quartile. Vesting will occur on a straight line basis between these points.

The 2004 PSP award reached the end of its performance period in 2007 and lapsed as it did not satisfy the TSR performance condition.

Commitment Scheme (the "Scheme")

The Scheme has been used in previous years to encourage the alignment of participants' interests with shareholders' through the commitment of a significant amount of their own investment capital in shares until the vesting date.

No awards under the Scheme will be made to any Turnaround Plan participants for two years following the adoption of the Plan. As a result no awards were made under the Scheme during 2007.

Under the Scheme, participants can commit and retain shares of up to 100% of salary at the date of commitment. A matching award is granted, composed of an award of a nil cost option and a market value option to acquire an equal number of shares. The maximum matching award can be no more than three times the number of committed shares for each component part of the matching award.

Vesting of the matching award is dependent on TSR performance of the Company, against the customised FTSE 100 comparator group, excluding those sectors which do not provide a benchmark of performance that would be relevant to the Company (detailed on page 112). There is no vesting for performance below median. 25% of the award vests at median and 100% at upper quartile. Awards will vest on a sliding scale between these points. Up to 50% of the matching awards will vest at the third anniversary of the date of grant (subject to performance) and the remainder at the fourth anniversary. Any portion of the award that has not vested at the end of the relevant three or four year performance period will lapse.

In the event of a change of control, awards may vest based on the extent to which the performance condition has been met in the period since the awards were made, unless it is determined that exceptional financial circumstances have occurred. The level of payout in the event of a change of control is capped at a multiple of the original financial amount a participant invests (twice the investment if a change of control occurs in the first year, three times if it occurs during the second year and four times if change of control occurs in the third or fourth year).

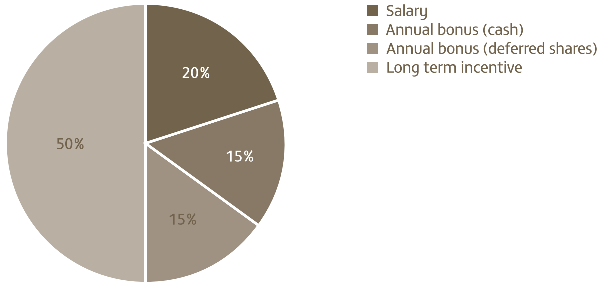
Senior Executives – total compensation

The balance between the fixed and variable elements of the total remuneration package for senior executives as a whole is illustrated in the chart below.

The chart illustrates the mix between fixed and variable elements of the package (excluding pension) and the mix between delivery through cash and shares over the short and longer term.

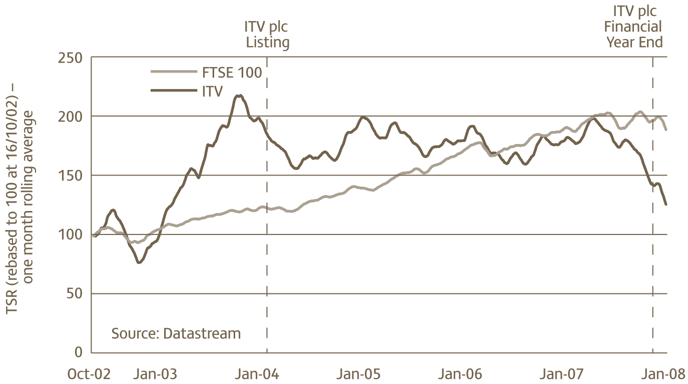
The illustration is based on the assumption that performance targets are satisfied at maximum levels. Broadly there is a 20:80 split between fixed and variable pay at this level, showing the high proportion of performance related pay in the total package.

Fixed vs variable pay at maximum performance



Performance graph

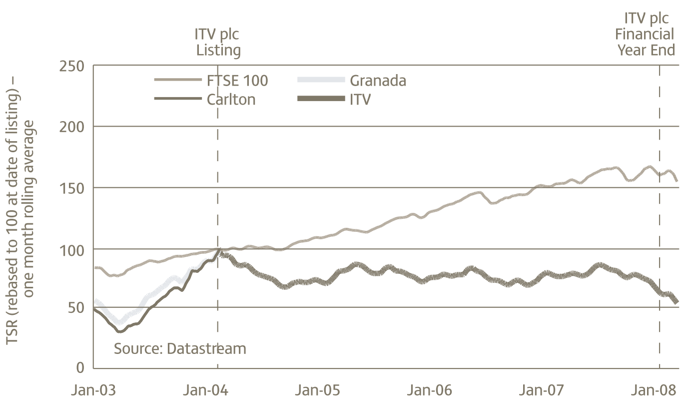
The graphs below show the TSR performance of the Company against the FTSE 100 index. The FTSE 100 has been selected for comparison as it represents a broad equity market index of which the Company was a member during the full financial year.



This graph shows TSR performance from 16 October 2002 (the date of the announcement of the merger of Granada and Carlton) as this is considered to be the most appropriate basis on which to assess the Company's performance. Prior to the listing of ITV plc the graph tracks the performance of a synthetic stock which shows the combined TSR performance of Granada and Carlton, weighted on the basis of their respective market capitalisation at 16 October 2002.

The Company's TSR performance over the financial year 2007 ranked the Company 29th against the 35 companies in the comparator group. This is significantly below the median position required for any vesting under the long term incentive plans.

The graph below is provided to mirror as closely as possible the normal basis for TSR performance graphs. The graph therefore shows TSR performance over a five-year period to the present, with the performance of Granada and Carlton shown separately prior to the listing of ITV plc. The TSR holdings have been rebased to 100 at the date of listing to reflect the requirement to show performance from this date onwards.



In both graphs one month averaging has been applied throughout, with the exception of the month following the merger. To ensure that the portion of the graph from the date of listing reflects solely the performance of the Company, the data for the Company in this period has been averaged from 2 February 2004 to each date, with the effect that the averaging period lengthens until it reaches one month.

Service contracts

Executive directors have service contracts which provide for 12 months' notice on either side. Following the appointment of Michael Grade as Executive Chairman on 8 January 2007, John Cresswell has held the role of Chief Operating Officer and Finance Director.

Executive Directors	Date of appointment	Nature of contract	Notice period from Company	Notice period from director	Compensation provisions for early termination
Michael Grade	8 January 2007	Rolling	12 months	12 months	(2)
John Cresswell	16 January 2006	Rolling	12 months	12 months	None
Dawn Airey	28 February 2008	Rolling	12 months	12 months	None
Rupert Howell	28 February 2008	Rolling	12 months	12 months	None

Notes

(1) The Company retains the right to terminate employment by making payment in lieu of notice, in which case the executive would be entitled to receive 12 months salary, and benefits (including pension contributions).

(2) As a condition agreed with Michael Grade on appointment, notice could not be served during the first 12 months of employment. In the event that his employment is terminated during the first 24 months of employment, he will be entitled to receive payment in lieu of notice (basic salary and pension) and a guaranteed annual bonus of 75% of salary in respect of the balance of the period. Unless the Committee decides otherwise, any payment made in lieu of notice (other than on a change of control) will be phased over the balance of the applicable notice period that would otherwise have applied. After the initial 24 month period, the termination provisions for Michael Grade revert to 12 months basic salary and pension entitlement.

Executive directors' non-executive directorships

During the year Michael Grade retained fees for external non-executive directorships for the period he was a director as set out below:

Company	2007 £000
Pinewood Shepperton Plc	98
Ocado Limited	98

The Board is satisfied that these external appointments do not interfere with the performance of Michael Grade's duties for the Company.

Payments to outgoing executives

Charles Allen stepped down from the Board on 1 October 2006. It was reported in the 2006 Remuneration report that the Company had made a contractual provision, following his cessation of employment, towards his pension arrangements for the period from January 2007 to January 2009 in an aggregate amount of £1,500,000. This sum has been provided for by the Company.

Non-executive directors

Each non-executive director has a contract of service with the Company, further details of which can be found in the Corporate Governance section on page 99.

Fees for the non-executive directors are determined by the Board based on market information supplied by Deloitte as external independent advisers, and in accordance with the restrictions contained within the Company's Articles of Association. Non-executive directors do not participate in decisions concerning their own fees.

The fees were reviewed during 2007. It was considered that the position of the Company within the media sector, the level of media interest, and the regulatory complexity associated with ITV's business increased the burden on the Company's non-executives. It was agreed that the fees should be increased in line with market growth.

The annual fees payable are as follows at the dates shown:

Non-executive directors' fees	31 December 2007 £	31 December 2006 £
Non-executive Chairman (1)	–	200,000
Deputy Chairman (2)	165,000	115,000
Senior independent director (3)	25,000	–
Board member	55,000	50,000
Audit Committee member	5,000	5,000
Audit Committee Chairman	20,000	15,000
Nomination Committee member	5,000	–
Nomination Committee Chairman	15,000	–
Remuneration Committee member	5,000	5,000
Remuneration Committee Chairman	15,000	15,000

Notes

(1) Sir Peter Burt stepped down from the Board on 8 January 2007.

(2) Sir George Russell receives no further payment in relation to committee responsibilities other than the annual fee for Deputy Chairman.

(3) Sir James Crosby was appointed senior independent director on 19 February 2007.

Audited information

The following tables on pages 109 to 113 provide details of each of the directors' and former directors' emoluments, pension entitlements, rights to share options and awards. All of these tables have been audited by our external auditors.

Aggregate directors' remuneration

The total amounts of directors' remuneration for the period from 1 January 2007 to 31 December 2007 were as follows:

	2007 £000	2006 £000
Emoluments	3,784	3,854
Gains on exercise of share options	168	256
	3,952	4,110

Remuneration report

Directors' emoluments

The directors' remuneration for the year ended 31 December 2007 was as follows:

Name of director	Fees/Basic Salary £000	Benefits in kind £000	Cash in lieu of pension contributions £000	Short term incentives £000	Total for the year ended 31 December 2007 £000	Total for the year ended 31 December 2006 £000
Executive						
Michael Grade (1)	**813**	**81**	**73(6)**	**967(5)**	**1,934**	–
John Cresswell	**575**	**25**	**–**	**631(5)**	**1,231**	706
Non-executive						
Sir Peter Burt (2)	**5**	**–**	**–**	**–**	**5**	200
Mike Clasper	**63**	**–**	**–**	**–**	**63**	50
Sir James Crosby	**92**	**–**	**–**	**–**	**92**	50
Heather Killen (3)	**23**	**–**	**–**	**–**	**23**	–
John McGrath	**73**	**–**	**–**	**–**	**73**	60
Sir Robert Phillis (4)	**54**	**–**	**–**	**–**	**54**	50
Sir Brian Pitman	**58**	**–**	**–**	**–**	**58**	50
Baroness Usha Prashar	**61**	**–**	**–**	**–**	**61**	50
Sir George Russell	**165**	**–**	**–**	**–**	**165**	115
Agnès Touraine (3)	**25**	**–**	**–**	**–**	**25**	–
Past directors' remuneration (for comparative purposes)	**–**	**–**	**–**	**–**	**–**	2,523
Aggregate emoluments	**2,007**	**106**	**73**	**1,598**	**3,784**	3,854

Notes:
(1) From his appointment on 8 January 2007.
(2) Up to his resignation on 8 January 2007.
(3) From her appointment on 8 August 2007.
(4) Up to his resignation on 2 October 2007.
(5) The figures shown are the value of short term incentives earned in respect of performance over the year to 31 December 2007 as detailed in the note on the DSA below.
(6) This figure is described further on page 113.

Incentive and performance related awards

Information given in the tables below is for the period from 1 January 2007 to 31 December 2007. The performance conditions applicable to the awards shown are set out in the remuneration policy above.

Turnaround Incentive Award

Outstanding options over ordinary shares in ITV plc awarded to Michael Grade as a Turnaround Incentive Award are as follows:

Award date	1 January 2007	Awarded in year	Exercised in year	At 31 December 2007	Share price used for award (pence)	Performance testing dates
13 September 2007	–	5,657,042	–	**5,657,042**	106.0625	25% December 2009 (1) 75% December 2011

Notes:
(1) 25% of the one-off award will be tested at 31 December 2009. Any portion of the award that does not vest at this point will be rolled over and tested with the remaining 75% of the award at 31 December 2011.
(2) The comparator group consists of the following companies: British Airways, British Sky Broadcasting Group, BT Group, Capita Group, Carnival, Compass Group, Diageo, DSG International, Enterprise Inns, GUS, Intercontinental Hotels Group, Kingfisher, Marks & Spencer Group, Next, Pearson, Reed Elsevier, Reuters Group, SABMiller, Scottish & Newcastle, Vodafone Group, WPP and Yell Group.

Turnaround Plan

Outstanding options over ordinary shares in ITV plc awarded to John Cresswell under the terms of the Turnaround Plan are as follows:

Award date	1 January 2007	Awarded in year	Exercised in year	At 31 December 2007	Share price used for award (pence)	Performance testing dates
13 September 2007	–	2,849,100	–	**2,849,100**	111.00	25% December 2009 (1) 75% December 2011

Notes:
(1) 25% of the award will be tested at 31 December 2009. To the extent that the performance condition is not met, that portion of the award will lapse.
(2) The comparator group is as listed in Note (2) above for the Turnaround Incentive Award.

Deferred Share Award Plan ("DSA")

Outstanding options over ordinary shares in ITV plc awarded to John Cresswell under the terms of the DSA are as follows:

Award date	1 January 2007	Awarded in year	Exercised/released in year	At 31 December 2007	Share price at date of award (pence)	Date of exercise	Market price at date of exercise/release (pence)	Vesting date
17 March 2005 (1)	34,940	–	34,940	**–**	127.50	16 March 2007	105.75	–
17 March 2006 (2)	134,595	–	67,297	**67,298**	116.75	16 March 2007(3)	105.75	March 2008
15 March 2007 (2)	–	226,301	113,150	**113,151**	105.25	31 December 2007(3)	85.77	December 2008
	169,535	226,301	215,387	**180,449**				

Notes:
(1) Awarded in the form of restricted shares.
(2) Awarded in the form of nil cost options.
(3) The combined market value of the options on the dates of exercise was £0.168 million. This is disclosed in the aggregate directors' remuneration table on page 109.
(4) At least 50% of bonuses must be taken in the form of ITV plc ordinary restricted shares or nil cost options awarded under the DSA and subject to its vesting rules. Participants can choose to take the balance either in cash or as further shares or nil cost options awarded under the DSA.

Michael Grade was awarded 117.2% of salary in March 2008, to be awarded 100% shares under the DSA. The total value is shown in the emoluments table above.
John Cresswell was awarded 109.7% of salary in March 2008, to be awarded (i) 50% in shares under the DSA; and (ii) the balance in cash. The total value is shown in the emoluments table above.

(5) In the event of a change of control restricted shares will vest and nil cost options become exercisable in full.

The Committee has taken account of PRS issues in calculating annual bonuses awarded to the executive directors for 2007.

Performance Share Plan ("PSP")

Outstanding options over ordinary shares in ITV plc awarded to John Cresswell under the terms of the PSP are as follows:

Award date	1 January 2007	Awarded in year	Exercised in year	Lapsed in year	At 31 December 2007	Share price at date of award (pence)	Exercise period
16 September 2004(1)(4)	126,027	–	–	126,027	**–**	109.50	–
27 September 2005(2)	158,393	–	–	–	**158,393**	112.50	September 2008 – September 2009
13 September 2006(3)	607,595	–	–	–	**607,595**	98.75	September 2009 – September 2010
	892,015	–	–	126,027	**765,988**		

Notes:
(1) The comparator group consists of the following companies: Allied Domecq, BAA, Alliance Boots, British Airways, British Sky Broadcasting Group, BT Group, Bunzl, Cable & Wireless, Capita Group, Carnival, Compass Group, Daily Mail and General Trust, Diageo, DSG International, EMAP, Enterprise Inns, Exel, GUS, Hays, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, O_2, Pearson, Reed Elsevier, Rentokil Initial, Reuters Group, Rexam, SABMiller, Scottish & Newcastle, Vodafone Group, Whitbread, William Hill, WPP and Yell Group.

(2) The comparator group consists of the following companies: BAA, Alliance Boots, British Airways, British Sky Broadcasting Group, BT Group, Cable & Wireless, Capita Group, Carnival, Compass Group, Daily Mail and General Trust, Diageo, DSG International, Enterprise Inns, Exel, GUS, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, O_2, PartyGaming, Pearson, Reed Elsevier, Rentokil Initial, Reuters Group, Rexam, SABMiller, Scottish & Newcastle, Vodafone Group, Whitbread, William Hill, WPP and Yell Group.

(3) The comparator group consists of the following companies: British Airways, British Sky Broadcasting Group, BT Group, Capita Group, Carnival, Compass Group, Diageo, DSG International, Enterprise Inns, GUS, InterContinental Hotels Group, Kingfisher, Marks & Spencer Group, Next, Pearson, Reed Elsevier, Reuters Group, SABMiller, Scottish & Newcastle, Vodafone Group, WPP and Yell Group.

(4) Lapsed on 16 September 2007, as performance conditions were not met.

Granada Share Option Schemes

Outstanding options over ordinary shares in ITV plc awarded to John Cresswell under the terms of the Granada Media and Granada Executive Share Option Schemes (ESOS) and Savings-Related Share Option Schemes (SAYE) are as follows:

Scheme	Date of grant	1 January 2007	Awarded in year	Exercised in year	At 31 December 2007	Exercise price (pence)	Exercise period
Granada Media ESOS	22 December 2000	959	–	–	**959**	217.78	December 2003 – December 2010
Granada ESOS	6 July 2001	36,399	–	–	**36,399**	137.02	July 2004 – July 2011
Granada ESOS	28 September 2001	113,851	–	–	**113,851**	91.35	September 2004 – September 2011
Granada ESOS	9 January 2002	1,040	–	–	**1,040**	143.27	January 2005 – January 2012
Granada ESOS	10 July 2002	19,240	–	–	**19,240**	106.25	July 2005 – July 2012
Granada ESOS	7 January 2003	18,200	–	–	**18,200**	76.92	January 2006 – January 2013
Granada SAYE	9 January 2003	25,120	–	–	**25,120**	65.38	March 2008 – September 2008
		214,809	–	–	**214,809**		

Remuneration report

Commitment Schemes

Outstanding awards and options over ordinary shares in ITV plc made to John Cresswell under the terms of the Granada and ITV Commitment Schemes are as follows:

	Date of Grant	1 January 2007 vested	1 January 2007 unvested	Vested during the year	Exercised during the year	Lapsed during the year	31 December 2007 vested	31 December 2007 unvested	Exercise price (pence)	Vesting date	Exercise period
Granada	22 Aug 2003(1)(2)	–	459,828	301,785	–	158,043	301,785	–	Nil	22 August 2007	August 2005 – August 2010
Granada	22 Aug 2003(1)(2)	170,159	459,828	301,785	–	158,043	471,944	–	100.72	22 August 2007	August 2005 – August 2010
ITV	19 April 2005(3)	–	566,814	–	–	–	–	566,814	Nil	50% April 2008 50% April 2009	April 2008 – April 2015
ITV	19 April 2005(3)	–	566,814	–	–	–	–	566,814	125.75	50% April 2008 50% April 2009	April 2008 – April 2015
ITV	20 March 2006(4)	–	518,358	–	–	–	–	518,358	Nil	50% March 2009 50% March 2010	March 2009 – March 2016
ITV	20 March 2006(4)	–	518,358	–	–	–	–	518,358	115.75	50% March 2009 50% March 2010	March 2009 – March 2016
		170,159	**3,090,000**	**603,570**	**–**	**316,086**	**773,729**	**2,170,344**			

Notes:

(1) The performance condition applicable to awards made under the Granada Commitment Scheme is TSR relative to Granada's international media comparator group companies as set out in note (2) below. 25% of awards vest at median; full vesting occurs at upper decile. Up to 50% of these awards were capable of vesting after two years, with the remainder subject to performance over a four-year period.

(2) The comparator group consists of the following companies: British Sky Broadcasting Group, Canwest Global Communications, Capital Radio, Carlton, EMAP, Fox Entertainment, GWR Group, M6 – Metropole TV, Mediaset, Modern Times Group, RTL Group, SBS Broadcasting, SMG, Telewest Communications, TF1.

(3) The comparator group consists of the following companies: Allied Domecq, BAA, Alliance Boots, British Airways, British Sky Broadcasting Group, BT Group, Bunzl, Cable & Wireless, Capita Group, Carnival, Compass Group, Daily Mail and General Trust, Diageo, DSG International, EMAP, Enterprise Inns, Exel, GUS, Hays, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, O_2, Pearson, Reed Elsevier, Rentokil Initial, Reuters Group, Rexam, SABMiller, Scottish & Newcastle, Vodafone Group, Whitbread, William Hill, WPP and Yell Group.

(4) The comparator group consists of the following companies: BAA, Alliance Boots, Brambles, British Airways, British Sky Broadcasting Group, BT Group, Cable & Wireless, Capita Group, Carnival, Compass Group, Daily Mail and General Trust, Diageo, DSG International, Enterprise Inns, GUS, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, PartyGaming, Pearson, Reed Elsevier, Rentokil Initial, Reuters Group, Rexam, SABMiller, Scottish & Newcastle, Vodafone Group, Wolseley, WPP and Yell Group.

The numbers in the tables above are in ITV plc shares and have been adjusted following the merger of Granada with Carlton.

Share price information
The market price of the ITV plc ordinary shares at 31 December 2007 was 85.4 pence and the range during the year was 82.3 pence to 121.5 pence.

Director's pension entitlements
During the year John Cresswell was a member of the Company's defined benefit pension scheme and had accrued entitlements under the scheme as follows:

Name of director	Accrued pension 1 January 2007 £000	Increase in accrued pension in the year £000	**Accrued pension 31 December 2007 £000**
John Cresswell	58	38	96

The following table sets out the transfer value of his accrued benefits under the scheme calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN 11)" published by the Institute of Actuaries and the Faculty of Actuaries.

The pension benefits of John Cresswell are provided on a defined benefit basis. The accrued pension shown is that which would be paid annually based on service to the end of that year. The increase in accrued pension during the year reflects an increase in the pension entitlement as a result of an accrual for an additional year of service and increases in pensionable earnings.

Name of director	Transfer value 1 January 2007 £000	Contributions made by the director £000	Increase in transfer value in the year net of contributions(1) £000	**Transfer value 31 December 2007 £000**
John Cresswell	593	32	439	1,064

Notes

(1) Transfer values at 31 December 2007 have been calculated in accordance with version 9.2 of the actuarial guidance note GN11 based upon pension in payment at this date. The increase in transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and directors, such as stock market movements.

(2) John Cresswell has a normal retirement age of 63.

(3) In the event of the death of an executive director, a pension equal to one half of the director's pension will become payable to a surviving spouse. A pension may become payable to any surviving dependent children.

(4) In common with other members of the defined benefit pension scheme, the director may, with the consent of the Company, receive and draw a pension at any time after reaching the age of 50.

The following additional information is given to comply with the requirements of the Listing Rules which differ in some respects from the equivalent statutory requirements.

Name of director	Increase in accrued pension in the year in excess of inflation £000	Transfer value of increase in the year less director's contributions £000
John Cresswell	36	342

The transfer values disclosed above do not represent a sum paid or payable to John Cresswell. Instead they represent a potential liability of the pension scheme.

Michael Grade was not a member of any Company pension scheme during the year. Mr Grade receives a cash payment in lieu of pension contribution of 9% of his basic salary. This payment is included in the emoluments table on page 110.

No directors were members of money purchase schemes operated by the Group.

Approval
This report was approved by the Board of Directors on 5 March 2008 and signed on its behalf by:

Baroness Usha Prashar
Chairman, Remuneration Committee

Shareholder information

	Holders Number	%	Shares held Millions	%
Type of holder:				
Banks and nominee companies	3,786	5.26	3,629	93.32
Individuals	67,669	93.95	156	4.01
Others	573	0.79	104	2.67
Totals	**72,028**	**100.00**	**3,889**	**100.00**
Size of holding:				
1 – 100	9,919	13.77	365	0.0094
101 – 200	9,990	13.87	1,489	0.0383
201 – 500	18,144	25.19	6,052	0.1556
501 – 1,000	12,556	17.43	9,220	0.2371
1,001 – 2,000	9,689	13.45	13,957	0.3589
2,001 – 5,000	7,082	9.83	22,240	0.5719
5,001 – 10,000	2,391	3.32	17,034	0.4380
10,001 – 50,000	1,381	1.92	26,699	0.6865
50,001 – 100,000	193	0.27	14,285	0.3673
100,001 – 500,000	303	0.42	75,118	1.9315
500,001 – 1,000,000	124	0.17	90,126	2.3174
1,000,001 – 5,000,000	154	0.22	361,631	9.2985
5,000,001 – 10,000,000	46	0.07	316,571	8.1399
10,000,001 – 50,000,000	39	0.05	803,705	20.6654
50,000,001 and above	17	0.02	2,130,637	54.7844
Totals	**72,028**	**100.00**	**3,889,129**	**100.00**

Information as at 31 December 2007

Registrars and transfer office
All administrative enquiries relating to shareholdings and requests to receive corporate documents should, in the first instance, be directed to Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA.

0871 664 0300 (calls cost 10 pence per minute plus network extras) from the UK and +44 20 8639 3399 from outside the UK.

@ Alternatively you could email them at: ssd@capitaregistrars.com

Shareholders who receive duplicate sets of company mailings because they have multiple accounts should write to the registrar to have the accounts amalgamated.

By logging on to www.capitaregistrars.com and selecting Shareholder Portal you can benefit from a number of online services as follows:

- View share price and current value of shareholding;
- View shareholding details;
- View share transaction history;
- View details of dividends paid;
- Apply/change dividend mandate instruction;
- Apply/change dividend reinvestment plan mandate;
- Change registered postal address;
- Proxy voting;
- Register an email address to receive future shareholder communications and reports via the internet rather than by post.

www.capitaregistrars.com

You will need your investor code (IVC) which can be found on your share certificate(s) to register to use the Shareholder Portal.

Share dealing services
Capita Registrars offer a telephone and online share dealing service for UK resident shareholders. To use this service shareholders should contact Capita Registrars:

0871 664 0454 from the UK (calls cost 10 pence per minute plus network charges) or 1 890 946 375 from Ireland

visit www.capitadeal.com

ShareGift
ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomic to sell on a commission basis. The scheme is administered by the Orr Mackintosh Foundation and further information can be obtained by contacting them:

020 7930 3737

www.sharegift.org

Share price information
The current price of ITV plc ordinary shares is available on Ceefax, Teletext and on the Company website.

Dividend Reinvestment Plan
The Company operates a Dividend Reinvestment Plan to provide UK shareholders with a facility to invest cash dividends by purchasing further ITV plc shares. Further details are available from the registrar.

Individual Savings Accounts (ISAs)
The Company has corporate sponsored Maxi and Mini ISAs. The ISAs offer UK resident shareholders a simple low-cost and tax efficient way to invest in ITV plc ordinary shares. Full details together with a form of application are available from:

Halifax Share Dealing
Trinity Road
Halifax HX1 2RG

0870 600 99 66

The Unclaimed Assets Register
The Company participates in The Unclaimed Assets Register, which provides a search facility for financial assets, which may have been lost or forgotten and which donates 10% of its public search fees to a wide range of UK charities. For further information and to obtain a search request form contact:

The Unclaimed Assets Register
Cardinal Place
80 Victoria Street
London SW1E 5JL

0870 241 1713

search@uar.co.uk

www.uar.co.uk

Unsolicited mail
The Company is legally obliged to make its register of members available to the public. As a consequence of this some shareholders might receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service ("MPS"):

Freepost 29 LON20771
London W1E 0ZT

Alternatively you can register online or request an application form by telephone or by email. MPS will then notify the bodies that support its service that you do not wish to receive unsolicited mail.

www.mpsonline.org.uk

0845 703 4599

mps@dma.org.uk

Registered office
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200 Gray's Inn Road
London WC1X 8HF

020 7156 6000

Company registration number 4967001

Company website
Investor and shareholder related information can be found on the Company website at:

www.itvplc.com

Financial calendar

Annual General Meeting	Thursday 15 May 2008
Interim Management Statement	May 2008
Half year results announcement	August 2008

Dividends

Final Dividend 2007	
Ex dividend date	Wednesday 16 April 2008
Record date	Friday 18 April 2008
Final date for return of DRIP mandate forms	Wednesday 4 June 2008
Payment date and DRIP purchase	Tuesday 1 July 2008
Share certificates posted and Crest accounts credited	Friday 11 July 2008

The Company has introduced consolidated tax vouchers. Shareholders will receive a single tax voucher each year, in time for the tax year end, containing details of dividends paid in that tax year. If you would prefer to receive a tax voucher for each dividend payment please contact the registrar.

Unauthorised brokers (Boiler Room Scams)
Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments.

More detailed information can be found on the FSA website:

www.moneymadeclear.fsa.gov.uk

If you receive any unsolicited investment advice:

– Make sure you get the correct name of the person and organisation.
– Check that they are properly authorised by the FSA before getting involved. You can check at:

www.fsa.gov.uk/register

– The FSA also maintains a list of unauthorised overseas firms who are targeting, or have targeted, UK investors. The list can be found at:

www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

– Any approach from such organisations should be reported to the FSA using the online form so that this list can be kept up to date and any other appropriate action can be considered.
– Inform Capita Registrars (contact details given above).

If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.

Details of any sharedealing facilities that the Company endorses will only be included in company mailings.

Identity theft
Tips for protecting your ITV plc shares:

– Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee.
– Keep all correspondence from the registrar in a safe place, or destroy correspondence by shredding.
– If you change address inform the registrar in writing or via the Shareholder Portal. If you receive a letter from the registrar regarding a change of address but have not recently moved please contact them immediately.
– Consider having your dividend paid directly into your bank. This will reduce the risk of the cheque being intercepted or lost in the post.
– If you change your bank account, inform the registrar of the details of your new account. You can do this via post or online using the Shareholder Portal. Respond to any letters the registrar sends you about this.
– If you are buying or selling shares only deal with brokers registered in your country of residence or the UK.

Governance

Financial record

	2007 £m	2006 £m	2005 £m	2004 £m
Balance sheet				
Share capital	**389**	401	423	422
Reserves	**2,844**	2,755	2,870	2,671
Shareholders' funds	**3,233**	3,156	3,293	3.093
Minority interests	**6**	7	12	16
Net assets	**3,239**	3,163	3,305	3,109
Represented by:				
Property, plant and equipment and intangible assets	**4,084**	4,088	4,182	4,055
Investments	**89**	103	274	233
Held to maturity investments	**100**	–	–	–
Distribution rights	**7**	11	13	12
Inventory	**440**	400	388	368
Trade and other receivables (including assets held for sale and derivative financial instruments)	**502**	548	432	357
Deferred tax asset	**–**	–	74	66
Total assets	**5,222**	5,150	5,363	5,081
Net debt	**(668)**	(734)	(481)	(280)
Deferred tax liability	**(75)**	(7)	–	–
Other liabilities	**(1,209)**	(1,219)	(1,525)	(1,617)
Provisions	**(31)**	(27)	(52)	(75)
	3,239	3,163	3,305	3,109
Results				
Turnover	**2,082**	2,181	2,196	2,053
Operating profit before exceptional items	**227**	299	358	213
Share of profits of joint ventures and associated undertakings	**2**	8	11	13
Investment income	**1**	3	16	14
Exceptional items	**(9)**	4	(39)	(53)
Profit before interest and tax	**221**	314	346	187
Net financing costs	**(33)**	(26)	(35)	(19)
Profit before tax	**188**	288	311	168
Taxation	**(50)**	(66)	(85)	(25)
Profit after tax	**138**	222	226	143
Minority interests	**(1)**	(3)	(4)	(6)
Profit for the financial year	**137**	219	222	137
Basic earnings per share	**3.5p**	5.5p	5.4p	3.5p
Dividend per share	**3.15p**	3.15p	3.12p	2.4p

This financial record sets out the balance sheet and results of the Group since its formation following the merger of Granada plc and Carlton Communications Plc.

Cash and cash equivalents are included within net debt.

Design and production Radley Yeldar

Mixed Sources
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