
Driven by content

ITV plc Report and accounts 2008



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Financial summary

Group revenues of £2,029m 2007: £2,082m

Operating EBITA of £114m 2007: £276m

Adjusted operating EBITA of £211m* 2007: £311m

Cash generated from operations £150m 2007: £286m

Operating loss of £2,647m 2007: operating profit of £192m

Loss before tax of £2,732m 2007: profit before tax of £188m

Loss per share of 65.9p 2007: earnings per share of 3.5p

Adjusted earnings per share of 2.7p** 2007: 5.0p

Dividend per share for the full year 0.675p 2007: 3.15p

* Before exceptional items, amortisation and impairments of intangible assets.

** Before exceptional items, amortisation, impairments of intangible assets, and amortised cost and tax adjustments.

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 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. The Business review is intended to 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.

Executive Chairman's statement

Current conditions in television advertising are the most challenging I have experienced in over 30 years in UK broadcasting. Our priorities have changed to reflect that.



Michael Grade Executive Chairman

Our financial results for 2008 reflect the impact of the economic slowdown over the second half of the year. Market conditions have deteriorated further in 2009. Indeed, it is no exaggeration to say that current conditions in the television advertising market are the most challenging I have experienced in over 30 years in UK broadcasting.

The Board remains confident in the long-term course for the business set by our content-led strategy. However, our immediate priorities need to adapt to reflect the very different economic circumstances in which we are operating. The Board's focus is on ensuring the Company is adequately funded to navigate through the downturn. The ITV senior management team is focused on our core business, on costs and on cash generation.

Since this downturn began, the Board and management have sought to anticipate and address the challenges it poses for ITV as early as possible. Given our reliance on advertiser funding, we cannot fully mitigate the impact of the recession on the business. But I am confident that the determined and concerted action we are taking will best position the Company beyond the current cyclical downturn, however deep and extended it may turn out to be.

Results

Revenues in 2008 were £2.0 billion, down 3% on the previous year, with strong growth in our Global Content business offsetting a reduction in television advertising revenues. Adjusted operating earnings before interest, tax, impairments and amortisation were down 32% to £211 million, reflecting the gearing of our profits to the UK television advertising market.

Earnings were impacted by an impairment charge of £2.7 billion. As is explained in detail in the notes to the accounts, this non-cash charge reflects advertising market decline and the uncertain outlook for 2009 and beyond. Operating exceptional items were £97 million, including a provision for onerous contracts of £50 million, reflecting the impact of the television advertising downturn on the value of our sports commitments. Adjusted for exceptional items and amortisation, earnings per share were down 46% at 2.7 pence.

Given our high operational gearing, any reduction in revenues has a significant impact on profits and, even in the best of times, our advertising revenue visibility is limited.

During 2008, via additional financing and a new bond issue, we secured over £300 million of additional covenant-free funding. In February 2009 we secured a further £50 million of ten-year covenant-free financing (potentially rising to £200 million). The Company repaid a £250 million bond on 2 March 2009 and our next scheduled bond repayment is not until October 2011. The Board will continue to evaluate all options to improve the strength of the balance sheet.

Dividend

At the half year, the Board reduced the interim dividend to 0.675 pence per share. Given the current economic context and the deterioration in prospects for advertising, the Board proposes that no final dividend should be paid. This is not a decision that has been taken lightly. As is detailed below, we have explored all avenues for maximising cash generation and we are taking comprehensive action, including with respect to our staff numbers, our cost base and our assets.

Cost review

Against this backdrop, it is imperative that every penny of our shareholders' investment is deployed to deliver maximum return. To this end, during the year, we undertook a comprehensive review of our costs and investment right across the Company. That review is now complete. As a result, we will reduce costs by £155 million in 2009, rising to £245 million in 2011, compared to 2008. Cost savings will come from a new efficiency programme, regional news savings and from more efficiency in our network programme investment.

Ensuring our cost base is as efficient as possible is essential. In 2008, we completed a three-year programme reducing costs across the business by £41 million per annum. In 2009, we will deliver £40 million in savings in our regional services. We have now identified a further £50 million in non-programming savings that will be delivered in 2009, rising to £70 million in 2010. ITV will become a leaner, fitter and simpler business.

In 2008 we invested more than 50% of our total revenues in programming, with the majority of this investment focused on ITV's unique selling point, original UK production. Calibrating our investment in network programming at the right level is critical to maintaining our market-leading position. We are determined to improve the efficiency of our programming spend to deliver an increased return on our investment. In 2009, our network programme investment will be reduced by £65 million year-on-year, with a focus on existing programming stock to limit our cash spend. Beyond the 2010 World Cup year, with a reduced level of committed programming, we will deliver a further reduction in schedule costs of £70 million.

We will still be investing around £1 billion in programming in 2009, more than our two nearest commercial competitors combined. Our audience share target will not change: we are seeking to maintain a share of commercial impacts across our channels of at least 38.5% through to 2012. The schedule for 2009 is a strong one, including Britain's Got Talent, Coronation Street, I'm A Celebrity, The X Factor, Law & Order: UK, Dancing On Ice, Emmerdale, Wild at Heart, live Champions' League, FA Cup and England football matches and many more returning series and new programmes. To date in 2009, we are delivering 5% more commercial impacts year on year across our channels with our share running above 40%.

Progress in 2008

In a difficult market, there were significant developments in each of our main business segments during the year. As well as holding their audience once again, ITV channels held their share of UK television advertising revenues for the first time in over 25 years. Our Global Content business delivered strong revenue growth outside ITV in the UK and internationally. Online, our average unique users were up by 30% and itv.com secured 86 million video views.

We also made significant progress on a number of important strategic initiatives. We successfully launched Freesat with the BBC, which included a high definition ITV service. We have partnered with

the BBC and BT to develop a new standard for delivering itv.com and other online video services to the television. We secured deals to provide ITV programmes to a number of open and closed Video on Demand (VoD) platforms.

Regulation

We have long argued that ITV labours under an over-burdensome regulatory regime. In essence, ITV is paying substantially more for its licence – in cash and programming kind – than is economically justified. With the onset of recession, there is some evidence that Government and regulator accept this and there have been some significant positive developments.

The Office of Fair Trading is expected to make its final recommendation to the Competition Commission on possible reform of Contract Rights Renewal in the spring. Our expectation is that this process should complete ahead of the next trading round for 2010 contracts. Ofcom's second public service broadcasting review has confirmed approval for modernising ITV's regional services, with Government considering proposals for further reform beyond 2010.

In January 2009, the Competition Commission blocked Project Kangaroo, the proposed online archive service which ITV, BBC Worldwide and Channel 4 had jointly developed. We were disappointed that we could not launch a service which promised considerable benefits to online users and increased competition with the substantial established online players in this new market. However, we do not want there to be any further delay in exploiting the ITV archive online via itv.com and we will not be appealing the decision.

As UK households have migrated to digital, there has been a massive influx into the market of digital advertising impacts. Add to this the continuing regulatory restrictions governing the commercial television market and the result has been significant deflation in airtime pricing, which the economic downturn has exacerbated. Uncorrected, the risk is that high levels of investment in UK originated content may become unsustainable in the commercial sector.

Inevitably in a tough market, the focus is on the road immediately ahead. However, we are not losing sight of the prize of returning ITV to long-term growth.

The financial disparity between the three free-to-air commercial public service broadcasters – ITV1, Channel 4 and five – versus the publicly-funded BBC and the dominant subscription player, Sky, is increasingly stark – and the political and regulatory debate around the future provision of public service broadcasting needs to move on urgently to practical solutions.

Targets

The weakening of the television advertising market makes the case for building our business beyond Broadcasting even more compelling. Our content-led strategy remains right for ITV.

However, we must align our objectives to the market conditions in which we are now operating. Across ITV we are focusing on our core assets and capabilities, on costs and on cash. In Global Content and Online in particular this shift in emphasis has implications in terms of our strategic targets.

In Global Content, we entered into a number of small-scale production acquisitions, investments and partnerships during 2008. However, we have not judged it prudent to pursue the further substantial production acquisitions we envisaged in our 2007 strategic plan. The outlook for organic revenue and profit growth has also become more challenging, as the commissioning budgets of ITV and other advertising-funded broadcasting customers worldwide come under pressure.

Online, given the rapid progress itv.com has made, we are confident that by focusing on delivery of ITV content online we can become a market leader in long-form broadband video. We are therefore targeting our online investment and resources on delivering ITV programmes via itv.com and VoD. Friends Reunited remains a highly profitable and successful online business, but our new strategic focus on streamed video does not play to its strengths and we will look to dispose of the business when the time and the price are right. ITV Local will be closed as a stand-alone business and we will seek to dispose of the associated Scout business.

Despite the challenging market, we will continue to seek growth in our Global Content and core Online revenues. However, the revenue targets previously set for 2012, which assumed modest, but positive growth in UK television advertising, are no longer appropriate. We will maximise value for our shareholders by focusing on our cost saving programme and cash generation as we await an economic upturn.

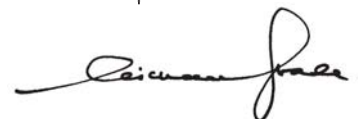
The Board

We have further strengthened the Board and the management team during the year, with Andy Haste joining as a non-executive director in August and Ian Griffiths joining the Company as Group Finance Director in September. Sir Brian Pitman retired from the Board in May 2008, having served as a director of ITV plc from its creation, including a period as Chairman. I would like to record my thanks to Sir Brian for his contribution to the Company.

Summary

These are tough times for the UK economy and for ITV. We are tackling the dual challenge of the transition to digital and a substantial deterioration in the economic outlook. This means reshaping the Company, taking costs out and, in the process, reducing staff numbers significantly. However painful that process is, it is essential for ITV's long-term health. I would like to thank all those affected for their efforts on behalf of the Company.

Inevitably in a tough market, the focus is on the road immediately ahead and ensuring that the Company is strong enough to endure the short-term challenges it faces. However, we are not losing sight of the prize of returning ITV to long-term growth. We need to continue with the good progress we have been making in our core broadcasting business, delivering a high quality schedule attractive to UK audiences and advertisers. We need to strengthen further our position in content and online. I am confident we will then be well positioned to take full advantage of the economic upturn when it comes.



Michael Grade Executive Chairman

Our business

Our content-led strategy seeks to leverage a uniquely powerful combination of assets: our mass broadcast channels; the content we create and own; and a rapidly developing online business.



Broadcasting



ITV1 is the UK's largest commercial television channel in terms of audience share and advertising revenues. ITV invests around £1 billion per year in network and regional content, funded by advertising and sponsorship revenues. ITV's digital channels, including ITV2, ITV3 and ITV4, are growing their audiences and revenues. SDN, ITV's wholly owned digital terrestrial television multiplex operator, leases out capacity to channel operators on the UK's largest broadcast platform, DTT.



Global Content



Global Content comprises ITV Studios, ITV's international production companies and ITV Global Entertainment. ITV Studios produces programmes for ITV channels and for other UK broadcasters. ITV's production companies in the US, Germany, Australia and Sweden produce original programming for major international broadcasters. ITV Global Entertainment generates revenues by distributing ITV and third-party programming internationally, and through the sale of DVDs and merchandise associated with ITV and third-party programmes. Around half of Global Content revenues in 2008 were generated by sales to ITV.



Online



Online, ITV is focused on video services delivering ITV programming via the personal computer and – increasingly – directly to the television set. itv.com includes ITV Player, which allows users to access catch-up and watch clips from the best ITV programmes, all supported by advertising. As PC and TV-based services converge, itv.com is coming of age as a digital channel in its own right.

Update on progress

Our strategy is driven by content

Strong broadcast channels

In 2008, ITV's family of channels held its audience share once again and maintained its share of the television advertising market for the first time in over two decades. ITV channels accounted for over 40% of viewings of UK television advertisements.

With the television advertising market declining by 5% in 2008 and continuing to be weak into 2009, ITV is seeking to increase the efficiency of its programming investment. Across network and regional programming, ITV will reduce its programming investment by £65 million year-on-year in 2009. However ITV is not adjusting its audience share targets. We continue to aim for ITV channels to deliver at least 38.5% of viewing of UK television commercials through to 2012.

- Continue to develop ITV1's strategy for peak-time, which attracts the majority of our viewing and advertising.
- Increase the efficiency of our network programme spend to allow reductions in cost without impacting on-screen performance.
- Modernise ITV's public service remit to ensure that the costs and benefits are aligned for the long term.
- Work to reform the Contract Rights Renewal remedy which applies to the sale of ITV1 advertising airtime.
- Future-proof Freeview and Freesat to ensure the free-to-air platforms on which ITV performs best are as strong as possible.
- Consider options for the successful and profitable SDN business.

Content-led growth

External Global Content revenues grew by 25% in 2008, with production for other UK and international broadcasters up strongly. However, with television advertising under pressure in the UK and internationally, the outlook for 2009 is weaker.

In such a context, ITV's previously stated revenue growth target for 2012 is no longer appropriate. However ITV will seek to continue the organic revenue growth delivered in 2008. ITV will also continue to consider targeted production acquisitions, as recently with Silverback and Imago; investment in independent producers, as seen with Carbon Media and Crackit; and innovative production partnerships, as recently agreed with Fox, Shine and 19 Entertainment.

- Focus on winning profitable ITV commissions in internationally high value genres.
- Ensure greater secondary exploitation opportunities across a higher proportion of ITV commissions.
- Continue to expand distribution of ITV and third-party programming and formats across our territories and beyond.
- Focus on growing revenues organically and via targeted acquisitions and partnerships.
- Invest in development of innovative new programmes and formats.
- Retain and invest in great creative talent.
- Maintain cost discipline throughout the business.

Focus on online video

Online, itv.com has enjoyed very strong rates of growth in terms of unique users and video views. itv.com advertising revenues increased by over 60% in 2008, with video advertising revenues in particular growing rapidly throughout 2008.

Reflecting ITV's increased focus on delivery of ITV programming online, our Online business was editorially integrated with ITV's broadcast channels in late 2008. With the online whitespace advertising market under pressure and ITV focusing on online video, ITV has taken the decision to close ITV Local as a stand-alone business and to dispose of the successful Friends Reunited business.

- Continue to invest in establishing and developing new means of delivering ITV content to growing online audiences.
- Develop itv.com as a premium VoD entertainment site.
- Exploit our catalogue to deliver ITV programmes via open and closed VoD services.

Market context

With the transition to digital and the economic downturn, the competitive pressures are intense. However, the opportunity for content-led growth remains.



John Cresswell Chief Operating Officer

As the UK's leading commercial producer broadcaster, ITV competes across a range of markets. In a fiercely competitive commercial broadcasting market ITV delivers around 40% of all UK commercial impacts – individual viewings of 30 second commercials. ITV is the largest commercial production company in the UK, producing over half of ITV1's original programming, but earning around half its production revenues outside ITV. Online, itv.com provides viewers with another channel to view ITV content and advertisers another means of reaching consumers.

Over the last decade, the transition to digital has meant all established media, including television, have been under constant pressure. In the second half of 2008, the digital transition was eclipsed as the dominant trend by the sharp global economic slowdown. Investment in advertising is particularly sensitive to declines in corporate profitability and sentiment. No media sector – including content production and online – is insulated from the impact of the downturn.

Amidst these significant economic and technological changes, there have been some positive themes. Individual levels of television viewing have remained robust. Indeed, a number of "event TV" programmes have grown their audience year-on-year. Consumers' appetite for the shared experience of compelling broadcast content remains undiminished. Beyond the digital transition and the current economic downturn, our view remains that the path to recovery will be content-led.

Broadcasting

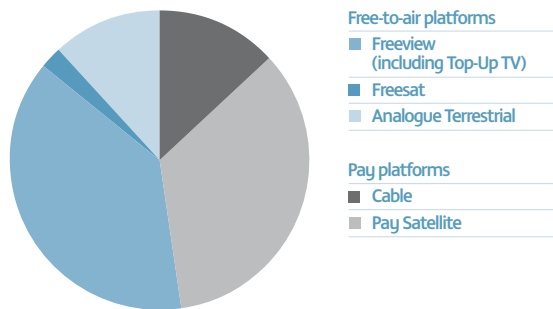
Television viewing has remained relatively stable over the past 15 years with the average adult watching almost four hours of television a day. In 2008, average adult viewing levels actually increased by around 3% or seven minutes per day. The average home now owns 2.4 television sets and there are around 500 television channels available to consumers in the UK. There are three main public service broadcasters – the BBC, ITV and Channel 4 – but the vast majority of channels are fully commercial.

By the end of the year, around 90% of UK homes had access to digital television on at least one set. The remaining 10% of UK homes will switch to digital over the next four years. The full digital switchover process started in the ITV Border region in November 2008 and moves on to Westcountry and Granada in 2009.

Digital terrestrial television (DTT) continues to be the UK's most popular multichannel platform with around 40% of primary television sets now DTT enabled. 12 million Freeview DTT devices were sold during the year. Over 70% of all UK sets now have digital access, including the majority of all second sets. On the back of this success, Freeview capacity remains a sought-after commodity for broadcasters.

Sky's digital satellite service is the UK's second most popular platform with around 35% of primary sets. Cable accounts for around 13% of primary sets and subscription-free digital satellite (including Freesat) for 2%. Freesat was launched in May 2008 and taken up by 200,000 UK homes by the end of the year. Freesat increases the availability of free-to-air digital television, via digital satellite, with 140 television and radio channels, including high definition (HD) services from the BBC and ITV.

Penetration of UK television platforms



Note: Excludes ADSL homes. Freesat includes Freesat from Sky.
Source: Ofcom, September 2008

The transition to digital has continued to erode the audience shares of the five main terrestrial channels – BBC1, BBC2, ITV1, Channel 4 and five – all of which experienced audience share reductions in 2008. However this has been mitigated by continuing growth in audiences on their affiliated digital channels and the main free-to-air broadcasters maintain a significant share of UK viewing. In 2008, the main free-to-air broadcasters' channel families accounted for 74.4% of total UK viewing (2007: 74.8%).

Despite overall levels of viewing remaining stable, a rising proportion of UK viewing is of commercial channels as the BBC loses share. Within commercial television, more viewing is taking place on digital channels, which are permitted to carry an average of nine minutes of advertising per hour (compared to seven minutes for ITV1, Channel 4 and five). As a result, the volume of commercial impacts continues to increase. In 2008, the total volume of impacts rose by 6% (2007: 5%).

Overall UK advertising declined by around 2% in 2008 to £12.4 billion. However, excluding online, where strong growth continued, advertising on traditional media declined by 7%.

Despite a flat first half, total UK television advertising was down 5% across the full year to £3.3 billion. Nonetheless, television remains the largest source of display advertising revenues, accounting for around 40% of the total UK display advertising market (excluding classified).

With spending on total television advertising down, but commercial impacts up, the price of television advertising declined significantly during the year. As well as macro-economic weakness, this deflationary trend has been linked to the impact of the digital transition and Contract Rights Renewal.

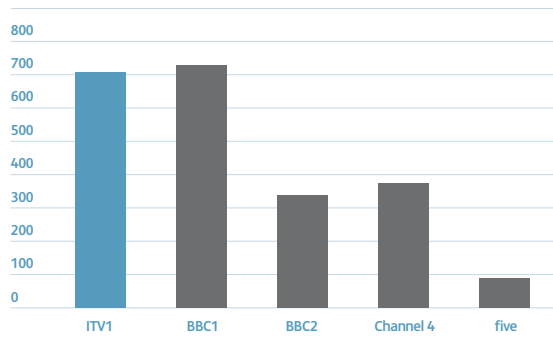
Global Content

The UK production market remains intensely competitive with a large number of independent producers, such as Endemol and Shine, competing with a handful of integrated producer broadcasters, notably ITV and the BBC, and other production companies not classified as independents, such as Fremantle. With consolidation in the sector continuing, there is an increasing divide between the larger production companies – including the BBC, ITV, Endemol, Fremantle and All3Media – often diversified across a number of genres, and a large number of smaller production companies, which may specialise in a single genre.

On the commissioning side, the BBC, ITV, Channel 4 and five between them account for around 90% of original commissions by UK channels. The BBC and ITV both produce a large proportion of their original programming in-house. Channel 4 is prevented by statute from producing programming.

2008 was a challenging year for the UK market. The three largest commissioners of original programming are under varying degrees of pressure. The BBC has the very significant benefit of a guaranteed income, albeit that the current settlement provides for only sub-inflation licence fee growth over the period to 2012. In response to commercial pressures, Channel 4 cut its programming budget by £25 million, or around 4% in 2008, and has warned over similar scale cuts to come in 2009. Across its channels ITV increased its programming budget in 2008, but is reducing its spend in 2009. With films, acquired series, sport and news committed under long-term contracts, original programme commissions come under particular pressure when reductions are made to programme budgets.

Major channels' spend on UK commissions (£m)



Source: Ofcom, based on 2007 spend

Notwithstanding pressures in the UK, international demand for programming from UK and European producers remained strong in 2008. A large number of the best performing programmes on US network television are produced by non-US producers, such as ITV, Fremantle and Endemol. International producers are increasingly seeking to roll out successful formats across multiple territories to maximise revenues and defray costs. However, the economic downturn will impact demand for original production from international broadcasters. With their own advertising revenues falling, commissioners can be expected to put downward pressure on producers' prices and margins. In some cases, acquired programming may become a more attractive alternative to original commissions. This in turn may create opportunities for international distribution companies.

Online

UK online advertising revenues increased by 18% to £2.8 billion in 2008, according to Advertising Association data. The majority of online revenues come from "search" advertising (such as Google and other search engines) where revenues increased by 20% to a total of £1.6 billion. Online display advertising increased by 12% to £579 million and online classified advertising by 20% to £595 million. Online now accounts for 23% of all advertising spend in the UK, up from 19% in 2007.

Whilst online advertising revenues continued to increase over 2008, supply of online display advertising inventory – in particular "white space" banner advertising – has grown very rapidly, putting downward pressure on prices.

The proportion of homes accessing the internet via a broadband connection continues to grow. Over 90% of internet users in the UK now use broadband and 60% of UK households now have a broadband connection. With more homes enjoying faster broadband connections – with 50Mb services available in some areas – demand for online video has grown. A year after its full launch, the BBC was recording around 1 million video views via its iPlayer service every day. BARB data showed a 77% year-on-year increase in the number of people watching television content online. There is evidence that online advertising revenues are gravitating to such high-quality services, rather than user-generated content. In the US, the Hulu online video service has been forecast to be on course to match YouTube's advertising revenues in 2009, despite the latter's considerably larger reach.

Virgin, BT and Sky have all now established VoD services available to their subscribers. Such services include content provided by established broadcasters, such as the BBC, ITV and Channel 4. An emerging trend is the convergence of online video services with VoD, with the BBC iPlayer and the ITV Player services now available to Virgin subscribers via the television.

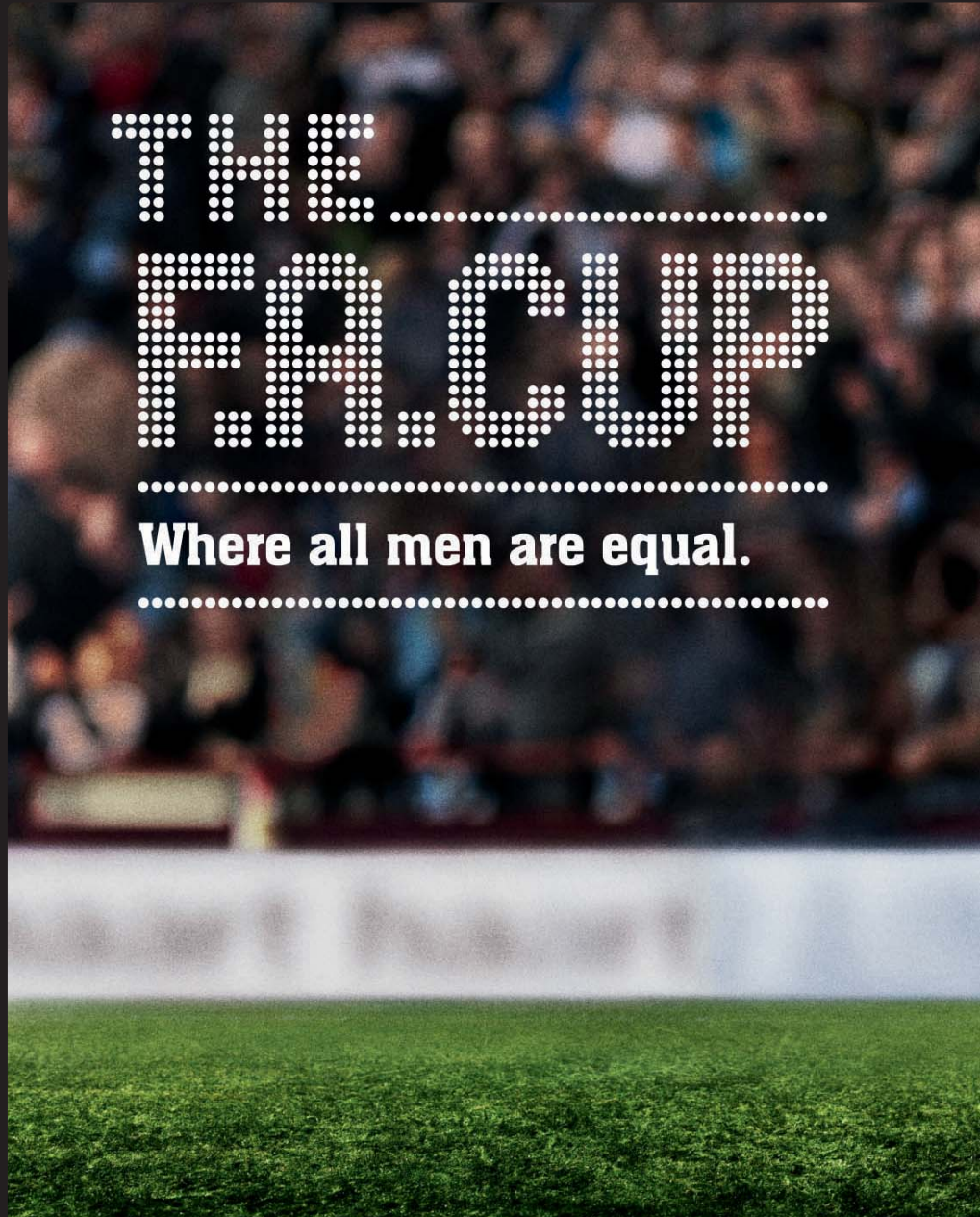
The social networking market continued to expand during the year. Facebook reached over 200 million monthly unique users and 80 billion monthly page views globally, the majority outside the US. Other major social networking sites include Bebo, MySpace, LinkedIn and Friends Reunited.

compelling content













↓ The Colour of Money
↓

↓ Billy Connolly: Journey to the Edge of the World
↓

↓ Coronation Street



→ attracting audiences

→ attracting advertisers

Operating review

In 2008 we made operating progress across Broadcasting, Global Content and Online. However, no part of our business is immune from the impact of the economic downturn.

We made operational progress across all of our key business segments during the year. However no part of our business is immune from deteriorating market conditions and we have had to adapt our priorities accordingly. We remain confident that ITV's strategy as an integrated producer-broadcaster will deliver long-term growth, driven by our ability to build strong programme brands. However, given the economic backdrop, our immediate focus is on the performance of our core business, tight control of costs and cash generation.

Across our key business segments – Broadcasting, Global Content and Online – we made some significant changes in structure and personnel during the year. We are confident we have in place the right team with the right strategy to lead the business through the uncertain times that we are in.

Broadcasting continues to be the primary driver of the Company's revenue delivering over 80% of total external revenues in 2008. The Broadcast segment incorporates all our advertising funded television channels. Peter Fincham joined us during 2008 and is Director of Television, Channels and Online, responsible for commissioning and scheduling across all the ITV channels. Rupert Howell, Managing Director, ITV Brand and Commercial, is responsible for sales and marketing across all our channels. Broadcasting also incorporates our wholly-owned digital terrestrial multiplex SDN.

Our Global Content segment is led by Managing Director Lee Bartlett who was appointed during the year. Our distribution and merchandising arms have been integrated as ITV Global Entertainment and our production operations in the UK have been re-branded as ITV Studios.

Online our core asset is itv.com. Towards the end of the year we editorially integrated ITV's online and interactive assets with the broadcast channels that increasingly provide them with their content and cross-promotion.

At the start of the year, ITV's "other" segment included the cinema advertising business, Carlton Screen Advertising. The major operations of this business were disposed of during the year, consistent with ITV's programme of non-core disposals.

Key operational developments in our major segments are set out in the following sections.

Given the economic context, we have pressed for more urgent regulatory reform to lighten further ITV's regulatory burden and deliver more flexibility. Further detail of the progress we have made is also provided below.

Running the business as efficiently as possible has become an even greater priority and we have set out challenging cost savings targets. Further detail on our cost savings programmes, together with an update on market conditions in 2009, is provided under the Forward Look section.

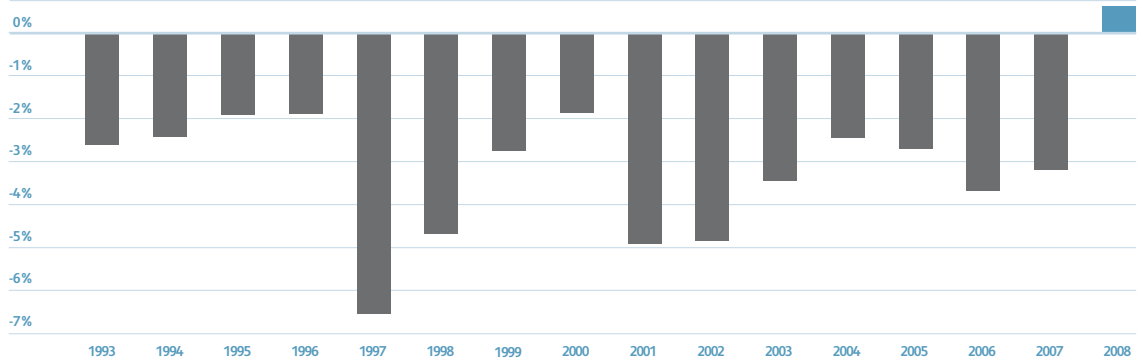
Broadcast

Our Broadcast revenues were down 5%, reflecting a 4% reduction in television advertising revenues and a reduction in revenue from programme-related premium rate telephony. Operating EBITA was down 43% to £140 million, reflecting the gearing of segmental profits to television advertising and a small increase in programme costs.

On screen the turnaround in performance in ITV's channels, which began in 2007, continued. Having maintained audience share across the family of ITV channels for the first time since the early 1990s in 2007, ITV once again delivered a stable audience share performance. ITV family audience share was held at 23.2%.

Furthermore, although the advertising market was weak, ITV started to translate on screen performance improvements into revenue share gains. Indeed, for the first time since the early 1980s, ITV held its share of the television advertising market year on year. ITV's share of the market across 2008 was 43.8% (2007: 43.6%). ITV1 advertising fell by 8% to £1,127 million, but advertising on ITV's digital channels increased by 16% to £242 million. Sponsorship revenues were £58 million (2007: £56 million).

Year-on-year change in ITV share of UK TV advertising revenues



Source: ITV estimate

ITV channels delivered 4% more commercial impacts in 2008 than the previous year. However, with the total volume of impacts across the market growing slightly ahead of this, ITV family share of commercial impacts was slightly down at 41.0% (2007: 41.7%). ITV's long-term objective remains to maintain a share of commercial impacts across its channels of at least 38.5% through to 2012.

ITV1

ITV1 remains the UK's largest commercial channel. In 2008, ITV1 achieved an audience share of 17.2% (2007: 17.9%), more than twice the share of ITV1's nearest commercial rival, Channel 4. Across peak viewing hours, ITV1 remains the UK's most popular channel with a share of 23.9% (2007: 25.3%), slightly ahead of BBC1 with 23.4%.

ITV1 delivered 1% fewer commercial impacts in 2008 than the previous year across all adults. For upmarket ABC1 viewers, ITV1 impacts increased year-on-year by 1%. Whilst impacts for younger 16–34 year old viewers fell by 1% for ITV1, both Channel 4 and five suffered greater losses.

The volume of impacts ITV1 delivers determines the price paid by advertisers for their inventory. However, under the Contract Rights Renewal mechanism, ITV1's share of commercial impact decline is a crucial determinant of the channel's revenue performance the following year.

In line with this, ITV1 advertising revenues in 2008 benefited from the channel's relatively low share of commercial impact decline in 2007 (down 3%). In part this reflected the exceptional impact in 2007 of a reduction in children's programming during weekday afternoons, the launch of Britain's Got Talent and the Rugby World Cup.

In 2008 ITV1's share of commercial impacts fell to 30.0% from 32.0% in 2007. This reflects continuing growth in impacts across the market, which were up 6% year on year. This resulted from increased digital penetration and the shift of viewing to commercial digital channels, including ITV's own.

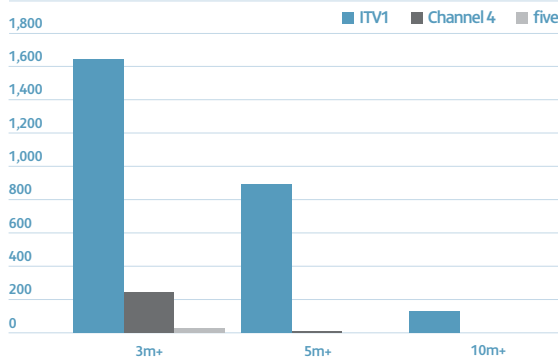
ITV1 relaunched its evening schedule in January 2008. Under the new schedule, the weekends have been more focused on entertainment, with drama concentrated on weekday evenings. There has been a fresh emphasis on comedy, with successes including Benidorm and Harry Hill's TV Burp. Whilst there have been some successes, including The Fixer, Wired and Place of Execution, midweek drama at 9.00 pm did not perform as consistently as had been hoped during 2008. News At 10 returned to the ITV1 schedule as part of the new schedule changes. Whilst performing strongly from an editorial perspective, its ratings reflect an inconsistent viewing inheritance from the preceding programmes and the established audience for the BBC1 alternative.

ITV1's main entertainment programmes delivered very strong performances in 2008. ITV1 broadcasts the four biggest entertainment shows on commercial television: The X Factor, Britain's Got Talent, Dancing on Ice and I'm a Celebrity. The X Factor and I'm A Celebrity both enjoyed substantial year on year audience growth. Following its debut in 2007, Britain's Got Talent returned as an extended series and the 2008 final secured 13.9 million viewers and a 56% share (2007: 48%).

ITV's big soaps continued to attract large audiences with Coronation Street and Emmerdale averaging 9.5 million and 6.9 million viewers respectively (2007: 10.1 million and 7.5 million respectively). Coronation Street ranks as the top performing soap on any channel with its best episode of the year pulling in 13.0 million viewers (2007: 13.1 million).

2008 was another excellent year for premium live sport on ITV. The UEFA Champions' League Final between Manchester United and Chelsea attracted an audience of 10.1 million and a share of 43%, the best performing sports programme on any channel in the year. Despite the lack of a home team in the tournament, coverage of Euro 2008 attracted large audiences. In March ITV contracted to show Champions' League games for four further seasons from autumn 2009. With the start of the new FA contract in late 2008, ITV is now the home of live free-to-air football with Champions' League, FA Cup and selected England games.

Programmes delivering mass audiences by channel



Source: BARB/Infosys, Individuals, All time, Jan-Dec 2008, C4 Total = C4 / C4+1, programmes over 10 minutes duration.

The long-term health of ITV1 depends on our ability to launch successful new shows. In 2008, ITV1 introduced a number of successful and innovative new shows, including *Headcases*, *Martin Clunes: One Man and His Dogs*, and *The Fixer*. However as audiences fragment, breaking big shows in their first series is becoming more challenging. ITV1 launched 18 new shows in 2008 which secured audiences in excess of five million viewers (2007: 23 new shows). Into 2009, a number of significant commissions made during 2008 are being screened, including *Demons*, *Whitechapel*, *Unforgiven*, *Above Suspicion* and *Law & Order: UK*.

Despite increasing digital competition, we have ensured that, across all genres, ITV1 remains the place advertisers go to for consistent delivery of mass audiences. ITV1 played five of the top ten programmes on any channel in 2008 (four in 2007). The 475 biggest audiences on commercial television in 2008 were all delivered by ITV shows (2007: 290). 99% of commercial programmes attracting more than five million viewers were shown on ITV1, rising to 100% of audiences over ten million viewers (see graph above).

ITV digital channels

ITV's digital channels had another strong year in 2008, with a total share of viewing across the channels of 4.8%, up 20%. ITV2, ITV3 and ITV4 are all top ten digital channels based on adult share of commercial impacts, with ITV2 and ITV3 occupying the top two slots. The combined share of commercial impacts delivered by ITV's digital channels was 8.8% (2007: 7.3%).

ITV2 increased its impacts by 19% across the year. As well as being the UK's biggest digital channel in terms of adult share of commercial impacts, ITV2 is the second biggest for 16–34 year old viewers. With a 16–34's share of impacts of 5.8%, ITV2 is closing the gap on five, which delivered a 6.6% share, in line with our stated aim for ITV2 to overtake five in this demographic.

Ratings successes on ITV2 included *Britain's Got More Talent*, *Xtra Factor*, *Katie and Peter: The Next Chapter* and *Ghosthunting with...* The UK launch of *Bionic Woman* pulled in 3.0 million viewers making it the channel's best performing programme ever.

In share of viewing terms, ITV3 was the UK's third largest digital channel in 2008 with a share of 1.6% in multichannel homes. ITV3's schedule is targeted at an older audience, with a heavy focus on drama. The channel delivered 35% more impacts across the year. High performing programmes include *Midsomer Murders*, *Lewis*, *Agatha Christie's Poirot* and *Inspector Wexford*.

Boosted by an extension in its hours of transmission, ITV4 impacts increased by over 60% and the channel's share of commercial impacts increased by over 50%. ITV4 continues to target male viewers with a schedule featuring a wide range of sport. Highlights included ITV4's largest ever audience of 1.8 million viewers for the *Champions' League* live coverage of *Manchester United v Aalborg*.

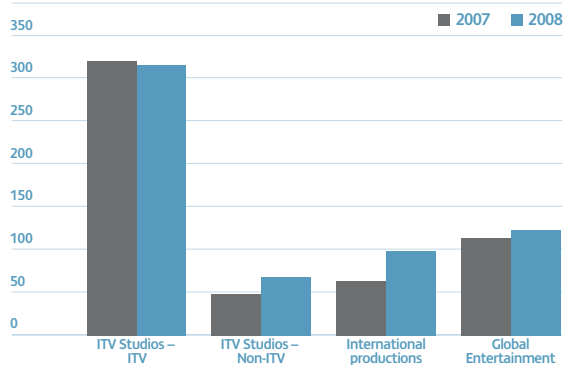
ITV's children's channel, *City*, held its audience in 2008 and grew its revenues by over 50%. *Men & Motors*, the smallest ITV digital channel, is not available in DTT homes and suffered some audience and revenue decline during 2008.

Brand

A significant project during the year focused on ITV's brand architecture, establishing the new brand values and positionings for the most important brands in the ITV portfolio.

The purpose of any brand is to influence consumers' decision-making. In the case of ITV1, a strong brand will help motivate viewers to watch ITV1 rather than any other channel. The health of the brand is tracked over time through regular measurement of viewers' association between the channel, competitor brands and key drivers of television viewing. This measure of brand health has been adopted by ITV as its main marketing KPI.

Global Content revenues (£m)



Note: Includes internal ITV revenues.

Based on the work undertaken in 2008, ITV1 runs second to BBC1 in terms of brand health, but is well ahead of its key commercial competitors, Channel 4 and five. Over the last quarter, ITV1 achieved a brand health score of 34% compared to 40% for BBC1, 24% for Channel Four and 15% for five. As one of ITV's key performance indicators, this measure will be closely tracked going forward, with our ambition being to maintain – and strengthen – our position.

SDN and platforms

The digital terrestrial multiplex operator, SDN, which is wholly-owned by ITV, delivered a strong performance in 2008. SDN earns revenues by leasing out capacity on the DTT platform to channel providers on long-term contracts. SDN holds that capacity under a licence from Ofcom which runs to 2010 and can be renewed to 2022. No licence fee is payable until the end of 2014 at the earliest.

With no major new contracts due to come into effect in the year, revenues were down 8% on 2007 at £33 million. However, a contract for a new channel was agreed from early 2009 and a tenth video stream will be available from 2009, which should have a positive impact on future revenues. Other channels carried on the SDN multiplex include QVC, five and Citv. In early 2009, ITV confirmed that it is considering future options for SDN.

In early 2008 ITV and the BBC launched Freesat, a service providing free-to-air access to digital satellite, including HD services from the BBC and ITV. ITV launched its first HD offering in June prior to Euro 2008. ITV HD is a free red-button service available exclusively to Freesat customers, and offers selected sporting events, movies and dramas.

Global Content

Global Content revenues grew by 10% in 2008 to £622 million (2007: £564 million). Internal ITV commissions were down slightly at £316 million (2007: £320 million) and revenues from other UK broadcasters, international production and international distribution grew strongly to reach £306 million (2007: £244 million).

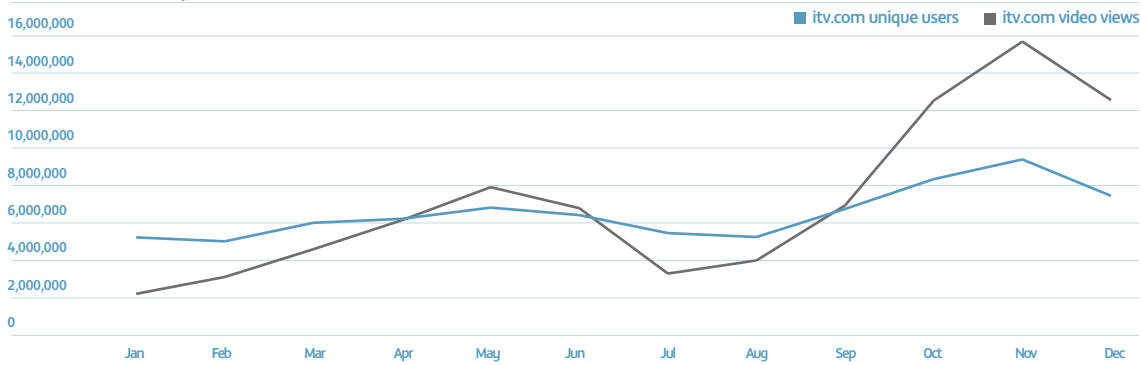
Operating EBITA before exceptional items for the year was flat at £90 million (2007: £90 million). Profits remained flat, despite the revenue increase as a number of positive one-offs from 2007 (such as *The Queen*) did not recur, a number of well-established ITV-produced programmes were not re-commissioned and a higher proportion of revenues was accounted for by new, lower margin, international commissions. Offsetting this, profits benefited from a new deal for *Coronation Street* and *Emmerdale*, more closely reflecting their value to the ITV1 schedule. There were also a number of provision releases which will not recur in future years.

ITV Studios remains the largest single provider of original ITV programming securing around 50% of ITV1 commissions over the year. Six of the top ten programmes shown on ITV1 in the year were made by ITV Studios (2007: six out of ten). These programmes included core series such as *Coronation Street*, *Emmerdale*, *Dancing on Ice*, *I'm a Celebrity* and *Lewis*. New programmes in 2008 included *Headcases*, *Who Dares Sings* and *We Are Most Amused*.

Into 2009 there are a number of new shows produced in-house in the ITV1 schedule, including *Billy Connolly: Journey to the Edge of the World* and the return of *The Krypton Factor*. Following the success of *One Man and His Dogs* in 2008, a new Martin Clunes fronted series, *Islands of Britain*, has been commissioned for 2009. Producer 12 Yard, acquired by ITV in December 2007, secured its first commission for ITV with game-show *The Colour of Money*.

Britannia High was an innovative first 360 degree ITV Studios commission from ITV1, which was broadcast in the autumn. Whilst the musical drama did not deliver anticipated audience levels, its development included all areas of Global Content – including ITV Studios and ITV Global Entertainment – together with Broadcasting and Online working closely to seek to devise a programme with maximum revenue potential in the UK and beyond. Inevitably not all such ideas will work, but ITV is confident that such continuing collaboration will deliver more positive results over time.

2008 itv.com unique users and video views



Source: Omniture, itv.com.

Beyond internal commissions for ITV, ITV Studios continued to produce a number of successful shows for other UK broadcasters. For the BBC, ITV produced *University Challenge* and *Eggheads*. Channel 4 re-commissioned *Countdown* for a further two years.

2008 was a very successful year for our international production business with revenues growing by over 50%. Granada USA productions included *Hell's Kitchen* for Fox and *The Chopping Block* for NBC. In Germany, we delivered programmes to RTL, Vox and Pro7 including local versions of *I'm A Celebrity* and *Come Dine With Me*. International distribution and merchandising revenues were up 8% at £123 million (2007: £114 million).

Given the economic outlook, ITV did not make any further substantial production acquisitions during 2008, but has made a number of smaller "seed-corn" investments in the UK and internationally. ITV took a 25% equity stake in a new UK independent production company, Crackit Productions and, in early 2009, took a 25% stake in another UK independent producer, Carbon Media. Internationally, ITV acquired Scandinavian independent producer, Silverback. ITV also took a minority stake in Electric Farm Entertainment LLC in the US and a 51% stake in German producer Imago TV. In line with our stated ambition to fund new ways of working with the independent sector, in 2009 we have announced co-production deals with Shine and 19 Entertainment.

Via Global Content, ITV has a growing ability to roll out successful formats across multiple international territories. For example, *Come Dine With Me* was developed by ITV Studios for Channel 4 in the UK. The programme started as a daytime show and became so successful that Channel 4 has moved it to peak and ITV Studios developed a celebrity version. Granada Germany produces the local version – *Das Perfekte Dinner* – for VOX in Germany. ITV Global Entertainment has sold the format in France, Spain, Hungary, Croatia and the Netherlands. Shortly after its acquisition in 2008, Silverback was commissioned to produce a version in Sweden.

ITV Studios received 61 awards in 2008 (2007: 117 awards), including three Golden Globe awards, a BAFTA Television Award, an RTS Programme Award and British Soap Awards.

Online

ITV continued to develop its online services in 2008, attracting significantly increased traffic. However the weakening of the advertising market over the course of 2008 and the delay, and ultimate blocking, of the launch of the Kangaroo joint venture meant that revenue growth was limited and losses increased to £20 million (2007: losses of £12 million). However as online audiences build, it is clear that online is becoming a vital part of ITV's distribution mix and an important investment for the future.

itv.com continues to grow and attracted increasing numbers of users following its relaunch in 2007. Monthly unique users averaged 6.5 million, a 30% increase from 2007. In November 2008, unique users reached a record 9.4 million and itv.com was ranked by Comscore as the UK's 5th most popular entertainment site.

Video views increased rapidly across the year with 86 million video views served in total. Towards the end of the year, itv.com's catch-up and archive service was relaunched as ITV Player including improved functionality. Online video advertising continues to command a significantly higher cost per thousand than other online advertising.

In November 2007 ITV announced Kangaroo, a three-way joint venture with BBC Worldwide and Channel 4 to launch an online video archive service. The joint venture was referred to the Competition Commission during 2008 which delayed, and ultimately blocked, the launch of the proposed service. The Competition Commission blocked the joint venture in February 2009 which means it cannot be launched. ITV will now focus its online archive delivery on the successful itv.com site.

ITV announced agreements to allow BT Vision and (in early 2009) Virgin Media's combined 3.5 million subscribers access to hundreds of hours of ITV content via their televisions on an on-demand basis. A partnership with iTunes saw over 260 hours of ITV programming becoming available for paid-for download, with more to follow.

Friends Reunited delivered around half of ITV's online revenues in 2008. The Friends Reunited reunions site was relaunched on an advertising funded model in May 2008 and unique users rose significantly to reach a record level of 6.4 million users in July. Genes Reunited remained the UK's number one family history site with over 9 million members, up 19% in the year. Friends Reunited Dating is now a top five UK dating site with 1 million members, up 30% in the year. The Dating and Genes Reunited sister sites both remain subscription funded.

As anticipated, Friends Reunited revenues were impacted by the loss of subscription revenues from the reunions site. In addition, growth in online advertising – in particular for “white-space” inventory – started to ease in the second half of 2008.

With the Company's focus on delivering ITV programming online, ITV has confirmed that Friends Reunited will be sold when the time is right. ITV has also confirmed that the ITV Local broadband service, which provides local news content, will close as a standalone business.

We remain confident in the prospects for long-term online revenue growth, in particular with respect to online video advertising, where we are continuing to improve our offer to advertisers. As with ITV's existing digital channels, there is an opportunity to leverage ITV's investment in content and cross-promotional power to drive traffic and revenues to online and on demand services.

Regulation

As the economic outlook has weakened, ITV has successfully made the case for accelerated action across a number of areas where ITV remains subject to a degree of regulation disproportionate in the digital age.

Ofcom brought forward its second review of public service broadcasting, which ran throughout 2008 and concluded in early 2009. The review confirmed Ofcom approval of ITV's proposals for modernising its regional services in 2009. The review further concluded that ITV's regional services are unsustainable without a new funding solution beyond 2010 and proposes means of supporting regional services, including via partnerships with and potential licence fee funding from the BBC. The Digital Britain inquiry led by the Communications Minister, Lord Carter, is considering those elements of reform of public service broadcasting which require decisions by the Government.

The OFT started a review of the CRR remedy applying to ITV1 in 2008. In early 2009, the OFT consulted on possible relaxation of CRR and has said that any recommendations to the Competition Commission would be made in the spring. This timetable should allow for any changes to CRR to come into effect in time for the deal round in autumn 2009 and contracts for 2010.

The Government has consulted on the introduction of product placement, following relaxation of the European rules under the new Audio Visual Media Services Directive. ITV has continued to work closely with advertisers on innovative means of supporting programmes whilst marketing their products to ITV viewers. Dog Rescue, supported by Pedigree, was the first fully advertiser-funded programme to be developed and produced by ITV. The potential introduction of product placement on UK television for the first time offers further opportunities.

Forward look

ITV's focus in 2009 will be on our core business as an integrated producer-broadcaster, on reducing our costs, and on managing and generating cash. In particular, we will deliver a year on year reduction in costs of £155 million. Those savings will come from a new efficiency initiative and across regional and network programmes.

Prior to the current economic downturn, ITV was already focused on delivering significant cost savings. With the advertising market weakening, in August 2008, ITV set out details of further cost savings of £35 million over 2009/10. During the second half of 2008, as the economic outlook deteriorated further, ITV embarked on a further detailed review of its structure, activities, assets and staffing levels, which has identified scope for further significant savings over 2009-10. As a result of this process, ITV now intends to deliver annual savings of £50 million over 2009, rising to £70 million in 2010 from right across the business (including the previous £35 million target). The cost of change associated with these savings is estimated to be £40 million.

This cost reduction programme will involve a significant number of job losses and a rationalisation of non-core activities, either by closure or additional disposals. These savings are in addition to the £40 million reduction in regional costs which ITV is separately on track to achieve in 2009. Including the regional changes, ITV expects its headcount to reduce by over 1,000 positions compared to the level at the start of 2008.

Broadcasting

In Broadcasting, ITV will reduce its investment in network programming by £65 million in 2009, with a focus on existing programme stock to limit cash spend. With ITV's commercial competitors also under pressure, ITV is confident that there should be no negative impact on its channels' competitive performance. Indeed, over the first seven weeks of 2009, the ITV family has delivered 5% more impacts year on year with a share of commercial impacts of 40.6% (2008: 41.4%). This reflects the performance of ITV1 in particular, with a strong schedule including *Dancing On Ice*, *Harry Hill's TV Burp*, *Whitechapel* and *Above Suspicion*. Over the same period, ITV1's volume of commercial impacts

is up by 1% and its share of commercial impacts stands at 29.3%, down from 31.2% in the same period in 2008.

Significant savings are necessary in our Broadcasting business because advertising market conditions remain highly uncertain. For the first quarter of 2009, ITV's total television advertising revenues are expected to be around 17% down, with ITV1 down 20% and the total market down 17%. There are some significant seasonal factors, but nonetheless this represents a further deterioration compared to the second half of 2008. Whilst forward visibility remains limited, across its channels, ITV expects to perform in line with the total market over the full year.


Global Content

Our Global Content business faces a tough market in 2009. Reductions in ITV's network programme spend will significantly impact ITV Studios, which depends on ITV commissions for half its total revenues. ITV Studios' main external customers in the UK are facing similar pressures to ITV. In Global Entertainment, depressed consumer spending could also be expected to weigh on consumer-facing revenues (for example, from DVDs and merchandising). Whilst the outlook in 2009 is also tough for international production, the US and German production businesses enjoy positive momentum from their strong performance in 2008.

Online

Online, ITV will focus on delivering video content via *itv.com* and VoD, with the ITV Local service to be scaled back and *Friends Reunited* to be sold when the time is right. With *Kangaroo* also not going ahead, ITV's online segment will become more tightly focused around *itv.com* and there is the opportunity to simplify structure and reduce costs. *itv.com*'s performance in early 2009 justifies our confidence in the service as the heart of ITV's online offering, with unique users and video views both growing strongly year-on-year.

In summary, 2009 will be a challenging year, but we have a clear action plan to see us through the downturn.



John Cresswell Chief Operating Officer

Risks and uncertainties

The combination of harsh economic conditions and our determination to identify new market opportunities and revenue streams makes our work on risk a major priority for ITV.

General

Risk description	Impact	Mitigation
Failure to implement the strategic plan including efficiency saving initiatives	<ul style="list-style-type: none"> – Loss of market share – Operating EBITA – Cash flow 	<ul style="list-style-type: none"> – Regular review of progress against plans – Revise plans to take account of changing circumstances
Treasury risks: – Maturing debt facilities are difficult to refinance – Volatility and value of issued debt and financial instruments	<ul style="list-style-type: none"> – Availability of finance – Increased cost and more restrictive covenants – Loss on instruments 	<ul style="list-style-type: none"> – Maintain adequate liquidity in cash and undrawn facilities – Review all funding options in light of current sub-investment grade credit rating – Monitor the financial markets and counterparty risk – Monitor instruments and review hedging efficiency
Pension scheme funding gap	<ul style="list-style-type: none"> – Additional funding requirement 	<ul style="list-style-type: none"> – Established working protocol with trustees – Working with trustees to reduce risk – Regularly review funding policy and legislative changes – Investment Committee review investment policy and set asset allocation, investment benchmarks and hedging positions – Formal valuations for funding purposes, and regular accounting valuations and updates
Failure to adapt strategy to shifts in market competitive dynamic or technological developments	<ul style="list-style-type: none"> – Loss of market share 	<ul style="list-style-type: none"> – Regular review of the market, competitors and technology – Monitoring of KPI performance
Failure of key suppliers or customers to meet contractual commitments or for ITV to achieve procurement efficiencies	<ul style="list-style-type: none"> – Loss of services – Operating EBITA – Cash flow 	<ul style="list-style-type: none"> – Monitoring key suppliers and contractual step-in rights – Monitoring credit exposure and customer credit rating – Credit insurance arrangements, subject to availability and pricing at renewal – Promote internal procurement efficiencies
Failure to attract and retain key people	<ul style="list-style-type: none"> – Business performance affected – Staff engagement 	<ul style="list-style-type: none"> – Appropriate terms for key employees – Staff surveys and communication programmes



Global Content

Risk description	Impact	Mitigation
Failure to deliver or acquire creative and commercial successes resulting in reduced 360° exploitation and lower primary and secondary sales	<ul style="list-style-type: none"> – Loss of Global Content revenue 	<ul style="list-style-type: none"> – Strengthen programme development process – Continue to refresh ITV talent pool – Establish international format group – Develop incentives rewarding 360° exploitation – Continue to build new relationships with independent and overseas producers – Programme pilot development for ITV1 and ITV2 – Ringfenced development fund

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.

Risks are identified, considered and monitored through an Enterprise-wide Risk Management ("ERM") programme and these risk factors were identified as most significant from the 2008 ERM programme.

Details on governance arrangements by which risks and uncertainties are monitored and managed are set out in the Corporate Governance and Audit Committee report sections.



Broadcasting

Risk description	Impact	Mitigation
Reduced television advertising demand/ pricing due to market forces, economic conditions or continued regulatory restrictions	<ul style="list-style-type: none"> – Loss of ITV plc NAR – Operating EBITA – Cash flow 	<ul style="list-style-type: none"> – Maintain quality of content to attract advertisers – Development of digital channels and online distribution offering alternative advertising opportunities – Dialogue with regulators and government over policy and regulation
Poor content performance or programme perception leading to reduction in audience and brand damage	<ul style="list-style-type: none"> – Lower audience commitment to ITV – Loss of volume and share of impacts – Brand health 	<ul style="list-style-type: none"> – Focus on commissioning team talent – Targeted investment in programme schedule – Research on-screen performance and brand perception – Development of digital channels and online distribution – Increased research to match programming to audience aspiration
Inflexibility of airtime sales due to continuing CRR remedy or other regulatory restriction	<ul style="list-style-type: none"> – Loss of ITV1 NAR 	<ul style="list-style-type: none"> – Regulatory review of CRR – Growth of non-ITV1 revenue streams
Failure to deliver value for money and effective spend from Network Programme Budget	<ul style="list-style-type: none"> – Operating EBITA – Loss of volume and share of impacts 	<ul style="list-style-type: none"> – Annual budget approval – Return on investment analysis applied to all programming – 360° commissioning – Review terms of trade to cover all distribution channels and maximise acquired rights
Failure to meet compliance requirements for programming or airtime trading	<ul style="list-style-type: none"> – Lower audience commitment to ITV – Brand health 	<ul style="list-style-type: none"> – Dedicated and separate compliance teams in both Commercial and Channels areas – Legal input on all contract drafting – Reporting to Ofcom on airtime sales
Digital switchover results in increased satellite and cable penetration at expense of digital terrestrial distribution with consequent lower viewing share for ITV channels	<ul style="list-style-type: none"> – Loss of volume and share of impacts – Loss of ITV plc NAR 	<ul style="list-style-type: none"> – Promote DTT through Freeview and other marketing initiatives – Promote Freesat where DTT cover is inadequate – Develop appropriate ITV HD offering



Online

Risk description	Impact	Mitigation
Failure to deliver profitable online propositions	<ul style="list-style-type: none"> – Loss of Online revenue 	<ul style="list-style-type: none"> – Online content distribution managed alongside broadcast channels – Focus on providing online element for all new programme production – Development of online advertising sales function – Technology action plan to provide clear strategic framework for internet-based initiatives – Consideration of competition issues involved in content distribution

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 judge how the business is doing.

Financial KPIs

ITV's financial KPIs provide details of the financial performance of the Company across its major areas of activity. Further detail on our performance is set out in the Operating and Financial reviews.

Revenues

Total ITV revenues declined by 3%, as strong growth in Global Content revenues offset a decline in ITV's television net advertising revenues (NAR). ITV plc NAR declined by 4%, outperforming the market as a whole, which declined by 5%. Growth in Global Content was driven by strong growth in international production in particular. Online, growth in itv.com revenues was offset by revenue decline at Friends Reunited, where the core site moved to an advertising funded model.

	2008 £m	2007 £m
Total ITV revenues	2,029	2,082
ITV plc NAR	1,425	1,489
Global Content revenue (including internal revenue)	622	564
Online revenue	36	33

Profits

Operating EBITA remains ITV's key profit indicator, reflecting operating profit before amortisation and operating exceptional items.

Adjusted earnings per share relates the profit for the year attributable to equity shareholders, before exceptional items, amortisation and impairment of intangible assets, interest and prior period tax adjustments, to the Company's share capital and thereby demonstrates underlying value creation per share.

The decline in operating EBITA and adjusted EPS reflect the gearing of ITV's profits to television advertising, which fell significantly in 2008.

	2008 £m	2007 £m
Operating EBITA before exceptional items	211	311

	2008 pence	2007 pence
Adjusted basic EPS	2.7	5.0

Non-financial KPIs

ITV seeks to be recognised as the UK's favourite source of free entertainment and a company where the best people want to work. These objectives are reflected in ITV's non-financial KPIs.

Audiences

ITV is aiming to secure a share of commercial impacts across its channels of at least 38.5% to 2012. The performance in 2008 leaves ITV on course to meet this target. The ITV1 adult impact volume KPI reflects the imperative of ITV1 retaining scale as the UK's largest commercial channel. In 2008, despite increased competition, ITV1 held its impacts broadly flat.

ITV has replaced its previous "commitment" indicator with a more meaningful measure of brand health, based on regular measurement of viewers' association between ITV1 and drivers of television viewing. Data for the final quarter has been used for 2008. For future years, full year figures will be used, allowing a comparison over time.

The online traffic KPI is based on itv.com unique users (UUs). In 2008, itv.com increased its average monthly unique users substantially.

	2008	2007
ITV family SOCI (%)	41.0	41.7
ITV1 adult impact volume (billion)	235.9	237.2
ITV1 brand health	34%	n/a
itv.com monthly average UUs (million)	6.5	5.0

Staff engagement

A staff engagement indicator is based on the proportion of respondents to the annual survey of all ITV staff agreeing that they have pride in their work, are proud to work for ITV and speak highly about ITV's services. The 2008 survey showed an increase in staff engagement year on year.

	2008	2007
Staff engagement (%)	68	63

ITV is reviewing whether the current KPIs remain appropriate given the greater emphasis on its core business, on costs and on cash set out elsewhere in this report. An update will be provided in the next Annual Report.

Corporate responsibility

Every evening our programmes are watched in millions of UK homes and we recognise the important and privileged position we are in as a result. Managing corporate responsibility is critical in helping ITV maximise the trust of all our stakeholders.

ITV generates the majority of its revenues from advertising. Advertisers rely on ITV for access to mass audiences on television and, increasingly, online. However audiences will only return to ITV if we can consistently deliver high-quality and trusted content and interactive services. Our approach to corporate responsibility (CR) is very closely aligned to our core business strategy and we are mindful of the importance of managing all the related risks and opportunities.

Governance

In 2008 ITV reviewed its strategy and established a new CR Committee with members from key business segments and central services. The CR Committee is chaired by the Director of Group Corporate Affairs, Mark Gallagher and reports to the senior management team. The CR Committee is responsible for reviewing ITV's material CR issues, formulating strategies for improved CR management and communicating them internally.

The CR Committee has determined that ITV should focus on the following areas:

Raising awareness of issues and causes

Our story driven, factual and entertainment content can help mass audiences understand more about sensitive subject matter.

Improving viewer trust

Our relationship with viewers is integral to maintaining trust. Ensuring this trust is not jeopardised is fundamental to our success.

Delivering high quality, entertainment driven, compliant content

Our viewers want quality programming, which is not offensive or shocking and adheres to the Ofcom Broadcasting Code.

Presence in our communities

We are at the heart of the communities we serve, bringing quality news and content to people's homes. This should continue despite the changing media landscape.

Other material issues that we continue to work on include: compliance with PSB quotas; charitable and community investment; people management and supporting the creative economy; environmental impact; health and safety; and sustainable supply chain management.

ITV recognises in particular the damage to viewer trust suffered as a result of failings with respect to PRS services connected with ITV programming which came to light in 2007. ITV has overhauled its compliance procedures for PRS and associated risk management processes to seek to ensure that there is no recurrence of such problems in the future.

Stakeholders

We continue to be involved in a wide range of important corporate and social issues, from news standards to the future of PSB and even health policy, working with a wide range of stakeholders, including investors, employees, viewers, government and regulators. Internal dialogue on CR issues is conducted via an annual staff survey, as well as by posting regular stories on our staff intranet. Our main external dialogue on CR issues is with our viewers, who, through our Vision Panel, share their thoughts about a variety of relevant issues. Increasingly we are using the panel to help steer us and our priorities for ongoing CR management.

CR performance indicators

The programmes broadcast on ITV channels continue to be scrutinised by our in house compliance team prior to broadcast. We recognise that our diversification from television broadcasting brings us into different regulatory environments where different standards and expectations can apply. These are documented more fully in our CR report. Our overall approach is to seek to apply the same standards to our non-television services that we have for television, even where the regulatory regime is less stringent.

The table overleaf provides a summary of our key priorities and CR performance indicators. For a fuller explanation of our CR objectives and activities please see ITV's CR report for 2008 available in the Responsibility section of our website at www.itvplc.com or in hard copy from Corporate Affairs.

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
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Protecting the environment¹	2008	2007	2006	2005
CO ₂ emissions from business travel ² (tonnes)	5,867	6,580	n/a	n/a
Total CO ₂ emissions ² (tonnes)	50,471	47,991	37,330	39,665
Total waste (tonnes)	1,900	2,210	1,776	1,743
Total waste recycled	36%	36%	29%	53%
Total water use (m ³)	93,175	129,899	133,485	104,473
Workplace profile (%)				
Women employees	49.0	49.0	47.6	47.6
Ethnic minorities employees ³	9.0	8.4	9.9	6.4
Employees with a disability ⁴	2.0	2.0	2.0	2.0
Employees aged over 50	15.0	14.0	15.1	17.0
Health and safety				
Accidents requiring more than three days off work	5	9	7	23
Major accidents	2	2	1	1
Fatal accidents	0	0	0	0
Responsible programming				
Programme/episodes complained about ⁵	1,026	773	843	799
Upheld complaints	16	15	10	8
Resolved complaints	7	4	19	19
Not upheld/out of remit	1,003	754	814	772
Access services (ITV1) (% of programmes)				
Subtitling	95.5	91.4	87.0	89.0
Audio description	13.2	10.5	9.0	8.0
Signing	5.3	4.5	4.0	3.5

(1) UK only, excluding GMTV and landlord managed sites where data is unavailable. Assurance by Enviros Consulting.

(2) Calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol methodology.

(3) Percentage of those that disclosed their ethnicity.

(4) Percentage of those that disclosed their disability.

(5) Complaints data is compiled from Ofcom Broadcast Bulletins.

Our values

We want to develop a culture at ITV where the best quality staff are able to deliver to their best ability. Our values – summarised in the table above – are firmly embedded in all core management practices and are intrinsic to everything we do.

People

In the challenging year ahead engaging our employees and nurturing talent remain high priorities for ITV. We continue to build capability within our workforce to deliver our corporate strategy through clear personal objectives, well communicated ITV values, structured development opportunities, clear succession planning and aligned incentives.

Unfortunately, given the uncertain economic outlook we are facing, we have had to make tough decisions. ITV was unable to find a way to deliver in full the two-year pay deal intended to apply over 2008/09. However, a new agreement ensures that everyone earning under £60,000 – nearly 90% of the workforce – will receive a pay rise for 2009.

In 2008, we tracked and monitored employee opinion through staff surveys and saw a significant improvement in our staff's pride and overall commitment to ITV (see page 26).

Development

Talent management remains a core part of our strategy and we are committed to developing the capability of ITV staff. In 2008 we completed formal succession planning for our entire management population. This forms the basis for our annual performance management process for 2009, which in turn ensures that all ITV staff have clear and aligned objectives for the coming year. In 2008 we continued to develop our core training portfolio, focusing on core skills that meet the priorities of the business. This will continue for 2009 to ensure we have fully trained staff to deliver our strategic priorities.

Excellence aiming for the highest standards and demonstrating that we are the best in everything we do	Integrity demonstrating integrity in all we do and understanding the diversity we have across the organisation	Commercial doing everything possible to make ITV a commercial success	Leading providing clarity and direction to create results, leading by example to motivate others
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And, in addition, for all ITV managers:

We have a number of other initiatives of which we are particularly proud, including the 12 month Fast Track for people at the start of their careers and the annual Colleagues United programme. Both have given employees the opportunity to gain experience in different parts of the organisation, demonstrating ITV's commitment to developing staff and the importance of company-wide collaboration.

Incentives

If ITV is to deliver its business strategy we need 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. ITV issued all employees with a total reward statement in 2008 following its successful introduction in 2007. This helps to improve employees' understanding of the full range of rewards (financial and non-financial) they can enjoy as an ITV employee.

The current economic climate is difficult but we continue to aim to incentivise all employees through a number of initiatives:

- An annual bonus scheme for all ITV employees, which is dependent on ITV's performance against key financial and non-financial targets;
- Our all-employee reward scheme "Create". This scheme rewards any employee for new ideas that generate profit or improve the way ITV does business;
- Our Save As You Earn scheme which gives all employees the chance to save to own a stake in the Company.

Diversity

ITV's talent strategy 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. Diversity data gathering continues to improve and further details can be found in ITV's CR report. The Company is an active participant in the major diversity forums whose focus is the employment and development of minority groups – including Opportunity Now, the Employers' Forum on Disability and the Broadcasters' Disability Network. Through these forums and direct activities undertaken by ITV, the Company is committed to working towards our programmes and workforce fully reflecting the audiences it serves.

Communication

Information is essential to drive a collaborative and creative culture. In 2008 we sought to increase the amount of face-to-face time between staff and executives by introducing regular lunches with the Executive Chairman and open forums with the Executive Board. Monthly leadership breakfasts were launched for senior managers and we also introduced regular posters at all ITV buildings, giving updates on our performance and highlighting our top programmes. The impact of this work was reflected in an Ipsos-MORI survey conducted in July. Engagement among staff was up from 63% to 68%, while 72% of respondents said they know who the leadership team are, an increase of 21%. Over 60% of staff said they felt better informed than a year before, which is significantly above the average MORI-reviewed company. We were a finalist in the Internal Communications category in the Chartered Institute of Public Relations Excellence Awards 2008.

The heart of our business is delivering first-rate content that appeals to our viewers and, in turn, attracts advertisers.

Customers

Our two key customers are our viewers (or consumers) and our advertisers. The heart of our business lies in serving our viewers by delivering first-rate content that appeals to them. This in turn attracts the mass audiences to which our advertisers will want to market their products.

To understand our viewers and their expectations of us more fully, throughout 2008 we commissioned an independent research company to recruit and survey our "Vision Panel" – a fully representative panel of 10,000 adult UK television viewers – and a smaller independent panel ("My Digital Life") to obtain feedback from the online market.

We believe that it is very important that our viewers can be confident that they know in advance whether programmes will be suitable for them and their family. Observing the 9.00 pm "watershed" is a key protection for children. For all relevant programmes, ITV's policy is to alert viewers to possible risk of offence via announcements immediately before the programme. Viewers may complain to ITV's duty office if any issue arises and any viewer not satisfied with ITV's response can refer their complaint to Ofcom. ITV has an in-house compliance team which provides support and advice for programme makers and commissioners before and during production.

Our relationship with the advertising and agency community is critical to our ability to drive advertising revenue. The commercial success of ITV is predicated on having a clear understanding of the needs and objectives of our customers. We have recently restructured the account management and sales team to enable us to build closer relationships with advertisers and to offer a better service to them.

Suppliers

ITV conducts business with a wide range of suppliers. The procurement department deals with all our suppliers and ensures we do business with them in a consistent and appropriate manner. Given the current economic environment, leveraging our scale and competitive advantage and managing the ITV cost base is more important than ever and this will be a key focus for the procurement department in 2009 and beyond.

As a broadcaster, ITV commissions programmes from a number of external production companies. ITV is required to publish terms of trade for independent commissioning consistent with guidelines laid out by the industry regulator, Ofcom. 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. ITV procurement ensure that services offered by such suppliers are of appropriate quality and reliability.

Statutory results for the year ended 31 December 2008



Ian Griffiths Group Finance Director

Total revenue for the year ended 31 December 2008 was 3% lower at £2,029 million (2007: £2,082 million). There was an operating loss for the year of £2,647 million (2007: profit of £192 million) as a result of the impairment of goodwill, with EBITA before amortisation and exceptional items down 32% at £211 million (2007: £311 million).

Revenue and profit by reportable segment are as follows:

	2008 £m	2007 £m	Change £m
Broadcasting revenue	1,647	1,738	(91)
Broadcasting EBITA*	140	244	(104)
Global Content revenue	306	244	62
Global Content EBITA*	90	90	-
Online revenue	36	33	3
Online EBITA*	(20)	(12)	(8)
Other revenue	40	67	(27)
Other EBITA*	1	(11)	12
Total revenue	2,029	2,082	(53)
Total EBITA*	211	311	(100)

*Before exceptional items

Broadcasting

Broadcasting revenues

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

	2008 £m	2007 £m	Change £m
ITV1	1,127	1,224	(97)
Multichannel NAR	242	209	33
GMTV	56	56	-
ITV plc NAR	1,425	1,489	(64)

Total ITV plc NAR decreased by 4.3% during the year to £1,425 million (2007: £1,489 million). ITV1's NAR in the year was £1,127 million (2007: £1,224 million), £97 million lower than 2007.

ITV1 advertising is largely contracted via calendar year deals, under which an agency or advertiser commits a share of their total television advertising expenditure for the year ahead. Under the Contract Rights Renewal remedy, the agency or advertiser can reduce their share commitment to ITV1 in proportion to the reduction in ITV1's share of commercial impacts ("SOCl") over the previous year. ITV1's SOCl has declined consistently over recent years, as rising digital penetration has led to increased volumes of commercial impacts across the market. ITV1's adult SOCl decline in 2007 of 3.3% represented a significant improvement on recent years and, as a result, ITV1's NAR performance in 2008 ran closer to the overall market than the recent average.

However the television advertising market overall was down 4.8% in 2008, compared to an increase of 3.1% in 2007. Following a fairly stable first half with the market declining by 0.6%, over the second half of the year, market revenues declined by 8.8%.

Despite this weak market context, ITV's digital channels – ITV2, ITV3, ITV4, Citv and Men & Motors increased their advertising revenues by £33 million to £242 million (2007: £209 million). This strong revenue performance reflects continued growth in the SOCl delivered by these channels, which across 2008 stood at 8.8% (2007: 7.3%).

Whilst the increase in digital channel NAR was not sufficient to offset the decline in ITV1 NAR, overall ITV outperformed the total market. ITV NAR was down 4.3%, ahead of the total market decline of 4.8%. As a result, ITV held its share of the television advertising market for the first time since the early 1980s.

Sponsorship income was £58 million (2007: £56 million). Whilst closely related to advertising, sponsorship revenue tends to be committed under longer term contracts which can mitigate the impact of advertising market movements in the short-term.

SDN revenues were £33 million (2007: £36 million). Whilst no significant new contracts came into effect during 2008, a contract was agreed for a new channel from early 2009 and there are plans to accommodate a tenth video stream during 2009.

Other broadcasting revenues of £131 million (2007: £157 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 revenues from premium rate telephony services ("PRS") and interactive transactions associated with ITV and GMTV programming. Revenues were lower than in the prior year largely because of a reduction of PRS revenues.

Broadcasting schedule costs

Total ITV schedule costs increased by £38 million in 2008 to £1,125 million (2007: £1,087 million). This breaks down as follows:

	2008 £m	2007 £m	Change £m
ITV1	867	837	30
Regional news and non-news	112	114	(2)
Total ITV1 costs	979	951	28
ITV2, ITV3, ITV4, Citv, M&M	112	101	11
GMTV	34	35	(1)
Total schedule costs	1,125	1,087	38

ITV1 schedule costs increased because of an increase in stock writedowns and a new contract for Coronation Street and Emmerdale more closely reflecting their value to the channel. The planned increase in investment in the digital channels returned significant audience share gains.

Licence fees

Licence fees comprise 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 and will continue to fall as digital penetration increases. The digital licence rebate for 2008 is calculated on a weighted average digital penetration of 85% (2007: 78%).

	2008 £m	2007 £m	Change £m
Cash bid payment	4	4	–
PQR Levy	169	180	(11)
Digital rebate	(143)	(140)	(3)
Total	30	44	(14)

Broadcasting EBITA

The Broadcasting segment EBITA before exceptional items for 2008 fell by £104 million to £140 million (2007: £244 million). This was primarily due to the decline in ITV NAR and the increase in schedule costs.

Global Content

Global Content revenues

	2008 £m	2007 £m	Change £m
Global Content revenues			
UK production	68	48	20
Resources	17	19	(2)
International production	98	63	35
Distribution and exploitation	123	114	9
Total external revenue	306	244	62
Original supply to ITV	316	320	(4)
Total revenue (including ITV supply)	622	564	58

Included in international production are revenues from Silverback, acquired in May 2008 and Imago acquired in September 2008. These revenues total £4 million. Included in UK production are incremental revenues of £13 million representing the full year impact of 12 Yard Productions.

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 Studios for ITV channels is not included in reported ITV plc consolidated revenue as it represents an internal programming cost of sale. In 2008 this internal programming amounted to £316 million of ITV network programme spend (2007: £320 million). The reduction was caused by the loss of a number of established ITV commissions, including Parkinson and Soapstar Superstar, as the ITV1 schedule was relaunched.

In 2008, total external sales were £306 million (2007: £244 million). International production delivered the majority of revenue growth with sales reaching £98 million (2007: £63 million), with particularly strong growth in the USA and Germany. Original production for other UK broadcasters increased to £68 million (2007: £48 million) and distribution and exploitation sales reached £123 million (2007: £114 million).

Global Content EBITA

Global Content EBITA was unchanged in 2008 at £90 million (2007: £90 million). The increased proportion of revenues accounted for by new international production has the effect of diluting overall segment margins. In addition, across internal and external production and distribution, margins are coming under increasing pressure as Global Content's broadcaster customers seek to manage the impact of the advertising downturn. Profits for 2008 include £13 million EBITA increase arising from the new Coronation Street and Emmerdale contract, together with some non-recurring provision releases.

Online

Online revenues continued to grow in 2008 and totalled £36 million for the year (2007: £33 million). This is made up of the following revenue streams:

Online revenues	2008 £m	2007 £m	Change £m
itv.com and other*	18	11	7
Friends Reunited	18	22	(4)
Total Online revenues	36	33	3

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

Revenues from itv.com and other increased by 64% in the year, largely as a result of increased itv.com advertising revenues. itv.com video advertising grew very rapidly to reach nearly 50% of total revenue. Sponsorship also grew strongly, offsetting a year-on-year decline in display advertising revenues. The fall of 18% in revenues from Friends Reunited was due to the reunions site moving from a subscription-based model to full advertiser funding.

Online EBITA decreased to a loss of £20 million (2007: loss of £12 million), due to Friends Reunited profits reducing, additional itv.com investment and costs associated with Kangaroo, the planned online archive service with BBC Worldwide and Channel 4, which did not obtain regulatory approval.

Other

Outside the main segments, other revenues for 2008 comprised Carlton Screen Advertising (CSA) revenues of £40 million (2007: £67 million). During the year, ITV disposed of the majority of the CSA business and assets. Other EBITA for 2008 was £1 million (2007: loss of £11 million).

Operating exceptional items

	2008 £m	2007 £m
Reorganisation and integration costs	(40)	(8)
PRS	(6)	(18)
Onerous contract provision	(50)	(9)
Kangaroo	(1)	–
Total operating exceptional items	(97)	(35)

Operating exceptional costs in the year total £97 million. These include £40 million of reorganisation and restructuring costs, of which £22 million is associated with previously announced efficiency savings programmes and £18 million relates to the restructuring of regional news (including associated write-off of fixed assets). Ofcom fines in relation to PRS confirmed in early 2008 were £6 million.

A charge of £50 million is included in respect of onerous contracts for sports rights. Since the relevant deals for FA Cup, England and UEFA Champions League games were agreed, there has been a significant deterioration in the outlook for UK television advertising.

Amortisation and impairment of intangible assets

Total intangible assets at 31 December 2008 are £1,140 million (2007: £3,873 million), being principally goodwill and acquired and internally developed intangible assets. Goodwill balances are not amortised but are instead subject to annual impairment testing. Other intangible assets are amortised over their useful lives.

A total impairment charge has been recognised in 2008 of £2,638 million and relates to the Broadcasting, GMTV and Online businesses. An impairment charge of £2,309 million and £21 million arose in the Broadcasting and GMTV businesses respectively as a result of the downturn in the short-term outlook for the growth in the total TV advertising market. An impairment charge of £308 million arose in the Online business as a result of the downturn in the short-term outlook for the advertising market and the reduction in demand for white-space advertising online.

A further reduction in goodwill of £57 million has been made as required by IAS12 following the recognition of a deferred tax asset not recognised at the time of the Carlton/Granada merger. An impairment charge of £28 million arose in 2007 in relation to CSA.

The total amortisation charge for the year on acquired and internally developed intangible assets is £66 million (2007: £56 million).

The assumptions used for impairment testing are set out in greater detail in note 13 of the Notes to the Accounts. These assumptions are consistent with those applied in the going concern analysis detailed on page 36.

Net financing costs

	2008 £m	2007 £m
Financing income		
Interest income on bank deposits	23	30
Expected return on defined benefit pension plan scheme assets	162	152
Change in fair value of financial liabilities designated at fair value through profit or loss	123	14
Other interest receivable	8	4
	316	200

	2008 £m	2007 £m
Financing costs		
Interest expense on financial liabilities measured at amortised cost	(110)	(54)
Foreign exchange loss	(116)	(42)
Interest on defined benefit pension plan obligations	(146)	(134)
Other interest payable	(4)	(3)
	(376)	(233)
Net financing costs	(60)	(33)

Net financing costs have increased on the previous year. The foreign exchange loss principally relates to the €500 million bond, which is economically hedged by cross currency interest rate swaps. The gain on these and other swaps is included in the change in fair value of financial liabilities within financing income and which, as the table shows, offsets the loss on the bond.

As set out below, ITV uses interest rate swaps and options to achieve its desired mix between fixed and floating rate debt and, during 2008, moved closer to having 50% of its debt on floating rates. ITV therefore benefited significantly from reductions in interest rates towards the end of 2008 and this effect was reflected in the change in fair value of swaps.

Interest expense on financial liabilities has increased as a result of the £110 million bond issued in July 2008 and includes £16 million of closure costs on a financial instrument integral to a £125 million finance facility contracted during 2008.

As a result of ITV's credit rating with Standard & Poor's being lowered to BB+ in August 2008 the €500 million bond and the 2017 £250 million bond were subject to coupon step-ups. This has resulted in the recalculation of the amortised cost carrying value of the bonds as required by IAS39. The carrying value of the €500 million bond has increased by £12 million, and the 2017 £250 million bond, by £18 million. This has resulted in an increase in the amortised costs of the bonds and an interest expense of £30 million (2007: £nil) during the current year. The increase in the amortised cost of the bonds will unwind in future years resulting in a credit to interest expense.

In 2008 imputed interest on the pension deficit – the expected return on defined benefit scheme assets less the interest on defined benefit pension plan obligations – resulted in a net interest credit of £16 million. Based on the level of the deficit at the end of 2008 and prevailing market rates, a net charge of around £15 million is expected to arise in 2009.

Results of joint ventures and associates

The total value of joint ventures and associates at 31 December 2008 are £66 million. Losses of joint ventures recognised in the income statement in the year are £15 million, after the benefit of £3 million in respect of a loan previously written off and now repaid (2007: profit of £2 million, which was allocated to assets held for sale). The losses in 2008 largely related to Kangaroo, Screenvision US, Screenvision Europe and Freesat.

Impairment of properties

An impairment of £17 million has been recognised in relation to the Group's Manchester and Bedford properties in the light of the downturn in the UK property market. Although still intended for sale, the Manchester properties have been transferred from assets held for sale to fixed assets. This is in view of the fact that disposal may not be possible in the next 12 months, given current market conditions.

Impairment and gain on sale of subsidiaries and investments (net)

There is a £6 million net gain on sale and impairment of subsidiaries and investments for the year (2007: gain of £17 million). During the year the Group sold its remaining interest in the non-core businesses of Arsenal Broadband Limited and Liverpool FC.tv Limited, resulting in gains of £12 million and £13 million respectively. These and other smaller gains were offset by £9 million of closure costs relating to CSA, £3 million impairment in Screenvision Europe prior to reclassification of this joint venture to assets held for sale, £4 million for Kangaroo following the decision by the Competition Commission to block the venture and a £7 million impairment of financial assets available for sale in the year in relation to the Group's shareholding in stv group plc.

Tax

The total tax credit of £178 million arises as a result of the resolution of prior periods' tax liabilities, including the recognition through goodwill of deferred tax assets on losses which previously the Company was not able to recognise. The underlying rate of tax on underlying profits is 32% as shown below:

	2008 £m
Underlying profit	
– Loss before tax as reported	(2,732)
– Exceptional items (net)	108
– Amortisation and impairment of goodwill and intangible assets	2,761
– IAS 39 amortised cost adjustment	30
– Share of losses of joint ventures and associates	15
	182
Underlying tax charge	
– Tax credit as reported	(178)
– Net credit for exceptional and other items	23
– Credit in respect of amortisation	19
– Credit in respect of IAS 39 amortised cost adjustment	9
– Credit in respect of prior period items	186
	59
Underlying rate of tax	32%

No net cash tax is expected to be payable in 2009.

Earnings per share

Basic loss per share is 65.9 pence (2007: earnings of 3.5 pence). Adjusted earnings per share before exceptional items, amortisation and tax adjustments are 2.7 pence (2007: 5.0 pence).

Dividend

The Board is not proposing the payment of a final dividend. The total dividend for the year is therefore 0.675 pence per share.

The Board's decision with respect to the final dividend has not been taken lightly. The Board's judgement is that it represents the prudent course in the present conditions.

Cash flow and net debt

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

	£m	£m
Net debt at 31 December 2007		(668)
Cash generated from operations	150	
Net interest paid	(63)	
Taxation net receipts	43	
Equity dividends paid	(123)	
Expenditure on property plant and equipment and intangible assets	(53)	
Acquisition of subsidiaries (net of cash)	(6)	
Loans to and from associates and joint ventures	(6)	
Proceeds from assets held for sale	35	
		(23)
Defined benefit pension deficit funding		(39)
Net debt at 31 December 2008		(730)

Cash generated from operations was £150 million (2007: £286 million), reflecting a £100 million decrease in operating profit before exceptional items and amortisation, and a working capital outflow of £67 million (2007: £44 million), due to increased payments for sports rights, commissions and acquired film stock.

Net cash interest paid on the Group's net debt position was £63 million. Net tax receipts of £43 million reflect taxation repayments for prior periods more than offsetting payments made for the current period. Equity dividends of £123 million comprise the 2007 interim and final dividends of £52 million and £70 million respectively, and £1 million of the DRIP element of the 2008 interim dividend. Expenditure on plant, property, equipment and intangible assets totalled £53 million. During the year the Group acquired 100% of Silverback AB for £5 million and 51% of Imago for £2 million (with net cash acquired of £1 million). Loans granted to joint ventures and associates were £26 million. Loans were repaid from joint ventures and associates of £20 million.

During the year the Group disposed of its interests in Arsenal Broadband Limited and Liverpool FC.tv Limited and sold its Ashby property for a total cash consideration of £35 million.

In July 2008, ITV strengthened its liquidity position with the issue of a £110 million bond repayable in March 2013. During the year ITV redeemed loan notes totalling £25 million and in November 2008 sold a held to maturity investment of £100 million.

Liquidity risk and going concern

The Group's financial risk factors are set out in note 23 to the financial statements.

During the year the Group lost its investment grade rating and as at 2 March 2009 is rated Ba1 (negative outlook) by Moody's investors Services and BB+ (negative outlook) by Standard & Poor's. The loss of investment grade triggered coupon step ups in ITV's €500 million 2011 and £250 million 2017 bonds. The cash cost of the step ups is £8 million in a full year and will continue unless and until ITV returns to investment grade with both rating agencies. The accounting implications of the coupon step ups under IAS 39 are set out in note 8 of the financial statements.

ITV is financed using debt instruments with a range of maturities. ITV's borrowings (net of currency hedges) are repayable as follows:

Amount repayable	£m	Maturity
£250 million Eurobond	250	March 2009
€500 million Eurobond (net of cross currency swaps)	335	October 2011
£110 million Eurobond	110	March 2013
£325 million Eurobond	325	October 2015
£250 million Eurobond	250	January 2017
Finance leases	79	Various
Other loans and loan notes	2	Various
Total repayable	1,351	

At the balance sheet date ITV had £516 million of cash and cash equivalents (net of £100 million of cash equivalents whose use is restricted to funding finance lease commitments and unfunded pension promises). Cash and cash equivalents include around £70 million held principally in overseas and part owned subsidiaries, which is therefore not readily accessible.

At the balance sheet date ITV had £200 million of undrawn, covenant free, bilateral bank facilities negotiated in 2008 which mature in May 2013 and an undrawn £450 million syndicated bank facility, which is subject to financial covenants. These are defined in the facility agreement (Net Debt: EBITDA < 3.75 times and EBITDA: Net Interest > 3.0 times) and tested on a 12 month basis at the end of June and December each year.

In February 2009 ITV increased its liquidity by £50 million under a new 10 year loan which is not subject to financial covenants. The lender has the right to loan ITV up to a further £150 million at any time in the 10 year period. The interest cost under the loan is fixed at 8.85% for the first 3 years and thereafter is at a variable rate with the cost of funds being a function of the size of further drawing and the cumulative performance of an interest rate algorithm. The cost of financing is capped with a worst case IRR of 18% at £50 million falling to 12% at £200 million.

On 2 March 2009 the Group fully drew down on a £125 million facility, which forms part of the total £200 million undrawn bilateral bank facilities, and expects to draw down the balance of £75 million during the course of 2009.

The £450 million bank facility is currently available as ITV remained inside the financial covenants at the year end. However ITV recognises that if earnings continue to decline across 2009 and 2010, the facility may no longer remain available. The going concern analysis has been conducted on the prudent basis that currently undrawn facilities and loans are not available to be drawn down.

On 2 March 2009 the Group repaid the maturing £250 million Eurobond from its cash resources. The current economic environment is very uncertain. Credit markets are anticipated to remain tight, particularly for sub-investment grade borrowers. The Group will continue to take action to improve liquidity and extend maturities. It is exploring a range of options aimed at strengthening its balance sheet.

The Group currently generates in the region of 80% of its revenue from advertising markets which tend to track the economic cycle. The TV advertising market has been very volatile in recent months and expectations in the short term have deteriorated. In forming its assumptions about the TV advertising market, the Group has used a combination of long term trends, industry forecasts and in-house estimates which place greater emphasis on recent experience. These are broadly in the range of -10% to -16% for 2009 and +2% to -4% for 2010, with the most recent being towards the bottom end of these ranges.

Advertising is a discretionary spend and the economic environment remains challenging. If the actual outturn is significantly adverse to these assumptions, then the Group's short term liquidity will come under some pressure. However, the going concern analysis demonstrates that the Group should be able to weather reasonably possible further deterioration in the advertising market, and has identified a number of mitigating actions it could take if required.

After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated and parent Company financial statements.

The section on this page forms part of the audited accounts. See section 1.1 – Basis of preparation in Accounting policies.

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 both bank facilities from the UK syndicated debt market and bilateral arrangements;
- Interest rate management: 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 low floating rates. As interest rates have fallen, ITV has moved closer to having 50% of total net debt at fixed rates and the appropriate ratio is regularly reviewed. ITV uses interest rate swaps and options in order to achieve the desired mix between fixed and floating rates;
- 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 12-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 and perceived state support. In view of developments in the financial sector, ITV has reviewed all counterparties and revised limits accordingly. However the banking environment remains uncertain. Consequently, deposits longer than one month require the approval of the Management Committee of the Board.

Improving working capital management is a key priority for 2009. This will include managing cash commitments more tightly, reducing overdue receivables, reviewing capital expenditure policies and establishing a more effective procurement process.

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 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 was carried out as at 1 January 2008 and, on the bases adopted by the trustees, that section was in deficit in an amount of £190 million or 9% of the liabilities in that section.

2. Deficit funding

A deficit reduction payment of £30 million was paid into section A of the main defined benefit scheme shortly after 1 January 2008, reducing that deficit to £160 million.

No deficit funding payments are currently being paid into either section B or C of the main defined benefit pension scheme and, as the actuarial valuation referred to above resulted in surpluses, there are no recovery plans in place for those sections. The deficit identified in the actuarial valuation as at 1 January 2008 of section A of the main defined benefit pension scheme, as referred to above, is being addressed by a recovery plan agreed with the trustees, under which the Company will pay £30 million in each of the five calendar years beginning with 2009.

3. IAS 19

The Group's defined contribution schemes gave rise to an operating charge in 2008 of £4 million (2007: £3 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 2008 the IAS 19 operating charge for defined benefit schemes was £10 million (2007: £15 million). As indicated above, the excess of the expected return on scheme assets, less the interest cost on liabilities, gave rise to a net financing credit in 2008 of £16 million (2007: £18 million). The aggregate IAS 19 deficit on defined benefit schemes at 31 December 2008 was £178 million (2007: £112 million). The increase in the deficit resulted from a series of factors, including a decision to strengthen the mortality assumptions as described below, and lower values for equity and interest-bearing investments, partly offset by an increase in the discount rate applied to liabilities and a reduction in the expected rate of inflation. An actuarial loss of £124 million has been recognised directly to reserves in the consolidated statement of recognised income and expense (2007: gain of £111 million).

4. Mortality assumptions

During 2008 the scheme actuary updated an analysis of the mortality experience of the main defined benefit pension scheme. Reflecting that analysis the Group has strengthened its mortality assumption for the 31 December 2008 IAS 19 valuation and restated it by reference to PA92 year of birth tables with medium cohort improvements with a 1% per annum underpin and a one year age rating (i.e. tables are adjusted so that a member is assumed to be one year older than actual age). The actuary has confirmed that the effect of this change in mortality assumption has been to add £88 million to the defined benefit scheme liabilities. Using the IAS 19 valuation factors, the forecast life expectancy for a 65 year-old member is:

	31 December 2008 valuation		31 December 2007 valuation	
	Men	Women	Men	Women
Retiring today	86.6	89.8	84.8	87.8
Retiring in 20 years	88.4	91.7	85.8	88.7

5. Trustees' investment strategy

The trustees continue to review the investment strategy for the main defined benefit pension scheme. The asset allocation has changed during 2008 and holdings of equities have been reduced and holdings of interest-bearing investments have been increased. At 31 December 2008, the assets of the defined benefit pension schemes were invested broadly as to 35% in equities and 65% in bonds and other interest-bearing investments. The trustees also use derivative instruments to hedge partial exposures to movements in interest rates, inflation and foreign exchange rates.

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 reported under UK GAAP. They have been included in this report after the results of the consolidated group.



Ian Griffiths Group Finance Director

Glossary of terms

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

Cash Bid – the fixed element of ITV and GMTV's licence fees

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 ITV plc. ITV also owns 75% of the national licence GMTV

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

Cost Per Thousand (CPT) – the price paid by an advertiser for 1,000 commercial impacts

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

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

DRIP – Dividend reinvestment plan

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

Freeview – the name by which UK free to air 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

Internal Rate of Return (IRR) – discount rate at which the net present value of the worst case future cash flows associated with the financing is zero

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

Non-consolidated licensees – those Channel 3 licences not owned by ITV, consisting of Channel, Grampian, STV and Ulster

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

PQR Levy – the variable element of ITV's licence fees representing a percentage of NAR and sponsorship income

Product placement – 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 – usually 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 (e.g. religion and current affairs) within their schedules

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

Unique Users (UUs) – a measure of the number of individual users visiting a website over a defined period

Video on Demand (VoD) – the ability to deliver video content to a customer's television set or computer when the customer requests it

Video Views – a measure of viewing of online video. A video view is generated when a piece of video content is delivered to a user's screen

Board of Directors

From left:
 Michael Grade
 Sir George Russell
 Sir James Crosby



Mike Clasper
 John Cresswell
 Ian Griffiths



Michael Grade CBE

Position: Executive Chairman

Appointment to the Board: 8 January 2007

Age: 65 (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). Fellow of the Royal Television Society and vice-president of BAFTA

Previous experience: Chairman of the BBC (2004–2006). Non-executive chairman of Hemscott plc (2000–2006). Non-executive chairman of Camelot Group plc (2002–2004, director from 2000). Non-executive director of SMG plc (2003–2004) 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 (1982–1984). Director of programming, London Weekend Television (1976–1981)

Sir George Russell CBE

Position: Deputy Chairman

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

Age: 73 (25 October 1935)

Committee membership: Audit, Nomination

External appointments: Chairman of the Commission on Public Service Reform, North East (2007)

Previous experience: Director of The Wildfowl and Wetlands Trust (2002–2008). Non-executive director of Northern Rock plc (1996–2006) and Taylor Woodrow (1992–2004). Chairman of 3i Group plc (1993–2001, director from 1992), 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 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: 52 (14 March 1956)

Committee membership: Remuneration, Nomination (Chairman)

External appointments: Non-executive director and Chairman designate of Misys plc (2009). Senior independent director of Compass Group PLC (2007). Trustee of Cancer Research (UK) (2008).

Previous experience: Deputy chairman of the Financial Services Authority (2007–2009). Chief executive of HBOS plc (1999–2006)

Qualifications: FFA, BA

Mike Clasper CBE

Position: Non-executive director

Appointment to the Board: 3 January 2006

Age: 55 (21 April 1953)

Committee membership: Audit (Chairman), Nomination

External appointments: Chairman of HM Revenue & Customs (2008), Which? Ltd (2008), and the West London Consortium (2006)

Previous experience: Member of the Investor Board of EMI Group (2007–2008). Operational managing director of Terra Firma (2008). Chairman 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 (2006–2008). 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

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

Age: 47 (2 May 1961)

Committee membership: Management

Previous experience: Finance director ITV plc (2006–2008), interim chief executive (2006–2007) and chief operating officer (2005–2006). Chief operating officer Granada (2004–2005). Non-executive director of The Liverpool Football Club and Athletic Grounds plc (2003–2007). Chief operating officer and finance director Granada Content (2001–2004), director of operations (2000–2001). Chief operating officer United Broadcasting and Entertainment Limited (1998–2000) and finance director (1996–1998). Finance director Meridian Broadcasting Limited (1993–1995)

Qualifications: BSC, ACA

Ian Griffiths

Position: Group Finance Director

Appointment to the Board: 9 September 2008

Age: 42 (26 September 1966)

Committee membership: Management

Previous experience: Group finance director of Emap plc (2005–2008). Senior finance roles within Emap including director of financial control (2000–2005) and head of finance at Emap Business Communications, the B2B exhibition organiser (1995–2000). Manager in audit and corporate finance with Ernst & Young (1988–1994).

Qualifications: MA, ACA

From left:
Andy Haste
Rupert Howell
Heather Killen



John Ormerod
Baroness Usha Prashar
Agnès Touraine



Andy Haste

Position: Non-executive director

Appointment to the Board: 11 August 2008

Age: 47 (1 January 1962)

Committee membership: Nomination, Remuneration

External Appointments: Group chief executive of RSA Insurance Group plc (2003)

Previous experience: Chief executive of AXA Sun Life plc (1999–2003). Director of AXA UK plc (life and pensions) (1999–2003). President and CEO, GE Capital Global Consumer Finance UK, Western Europe and Eastern Europe (1998–1999). CEO, GE Capital Global Consumer Finance UK (1996–1998). President of National Westminster Bank US Consumer Credit Business (1995–1996), senior vice president and head of US Consumer Loan Products Division (1992–1995)

Rupert Howell

Position: Managing Director, ITV Brand and Commercial

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

Age: 52 (6 February 1957)

Committee Membership: Management

External Appointments: Director of the Advertising Association (2007)

Previous Experience: President, EMEA and chairman, UK and Ireland Group of McCann Erickson UK Group Limited (2003–2007), regional director, EMEA (2006–2007). President of the European Association of Communications Agencies (2006–2007). Chief executive Chime Communications plc (1997–2002). Founder, Howell Henry Chaldecott Lury (1987–1997). Director of the Institute of Practitioners in Advertising (1992–2000), president (2000–2001)

Qualifications: BSc Management Sciences, FIPA

Heather Killen

Position: Non-executive director

Appointment to the Board: 8 August 2007

Age: 50 (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: 60 (9 February 1949)

Committee membership: Audit, Nomination

External appointments: Non-executive director and chairman of audit committee Computacenter plc (2007) and Gemalto NV (2006). Non-executive director of Merlin Claims Services Holdings Limited (2007), Negative Equity Protection Holdings Limited (2007) and Millen Group Limited (2007). Trustee of The Design Museum (2006). Senior independent director and chairman of audit committee Misy plc (2005)

Previous experience: Non-executive director of BMS Associates Limited (2004–2008). Member of audit and retail risk control committees HBOS plc (2004–2008). Trustee of The Roundhouse Trust (2003–2008). 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

Baroness Usha Prashar CBE

Position: Non-executive director

Appointment to the Board: 7 February 2005

Age: 60 (29 June 1948)

Committee membership: Remuneration (Chairman), Nomination

External appointments: Non-executive director of the Cabinet Office (2006). Chairman of the Judicial Appointments Commission (2005)

Previous experience: Chairman of the Royal Commonwealth Society (2002–2008). Chancellor of De Montfort University (1996–2006). First Civil Service Commissioner (2000–2005). Non-executive director of Unite Group plc (2001–2004) and 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: 54 (18 February 1955)

Committee membership: Audit, Nomination

External appointments: Non-executive director of Neopost SA (2007) and Cable & Wireless plc (2005). President of Act III Consultants. Board Member of Fondation de France and Chairman of the Supervisory Board of SAIP/Libération

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

The directors present their report together with the audited consolidated and parent company financial statements for the year ended 31 December 2008. The comparative period is for the year ended 31 December 2007.

Business review and results for the year

Under section 417(1) of the Companies Act 2006, 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 4 to 39 together with a description of the principal activities. The Business review is incorporated in this report by reference.

The results for the year are set out on page 47. Loss for the year after tax was £2,554 million (2007: £138 million profit).

Corporate Governance

Under Disclosure and Transparency Rule 7.2, the Company is required to include a Corporate Governance statement in its Directors' report. All relevant information on the corporate governance practices of the Company are set out in the Corporate Governance section. The Corporate Governance statement is incorporated in this report by reference.

Principal transactions and post balance sheet events

Disposals

On 5 March 2008 the Company announced that it had completed the sale of its 50% share in Liverpool FC.tv Limited to The Liverpool Football and Athletic Grounds Limited for a consideration of £16 million, plus repayment of approximately £3 million of debt previously written off.

On 7 April 2008 the Company announced that it had completed the sale of its 50% share in Arsenal Broadband Limited to KSE UK, Inc. for a total net cash consideration of £22 million of which £8 million was received in 2007.

On 10 July 2008 the Company announced that it had completed the sale of certain assets of Carlton Screen Advertising Limited to Digital Cinema Media Limited for a total cash consideration of £0.5 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.

Acquisitions

On 13 May 2008 the Company acquired the Swedish-based independent production company and programme formats business, Silverback AB, for a cash consideration of £5 million, and further consideration of up to £9 million payable based on profit performance and retention of key employees over the three year period to 2011.

On 1 August 2008 the Company acquired a 10% equity stake in Electric Farm Entertainment LLC, a leading US digital studio company, for an initial payment of \$2 million, with an option to acquire a controlling shareholding at the end of 2008. The option period has been extended to 15 March 2009.

On 29 September 2008 the Company acquired a 51% stake in Imago TV Film und Fernsehproduktion GmbH, a Berlin based television production business, for an upfront payment of €2 million, and a further cash payment of €4 million payable based on profit performance and retention of key employees up to 2010. The Company retains an option to acquire the remaining 49% of the share capital dependent on profit performance up to 2011.

In addition to the above the Company acquired 25% of the equity in independent production company Crackit Productions Limited on 15 May 2008.

Other

On 2 July 2008 the Company announced the issue of a £110 million bond with a maturity date of 20 March 2013, pursuant to its £1.5 billion Euro Medium Term Note Programme.

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

Dividends

The Board has proposed that no final dividend should be paid for the year ended 31 December 2008. Further information can be found in the Executive Chairman's statement on page 1.

The total dividends paid and proposed for the year ended 31 December 2008 are therefore as follows:

	2008	2007
Interim dividend	0.675p	1.35p
Final dividend	–	1.80p
Total	0.675p	3.15p

Substantial shareholdings

As at 4 March 2009 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	170,580,317	4.39
Legal and General Investment Management Ltd	155,146,097	3.98
Governance for Owners LLP	116,767,766	3.00
Silchester International Investments Limited	116,683,131	3.00

A profile of shareholdings is set out on page 107.

Share capital

At the date of this report there were 3,889,129,751 ordinary shares of 10 pence each in issue, all of which are fully paid up and quoted on the London Stock Exchange.

Further details of the movements in the authorised and issued share capital of the Company during the year are set out in note 29. The rights attaching to the Company's ordinary shares, as well as the powers of the Company's directors, are set out in the Company's Articles of Association, copies of which can be obtained from the Company's website www.itvplc.com or by writing to the Company Secretary.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time. In accordance with the Listing Rules of the Financial Services Authority, certain employees are required to seek approval of the Company to deal in its shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company. Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders. All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. Certain of the Group's bonds/borrowing facilities have change of control clauses whereby the issuer can require ITV to repay/redeem bonds in the event of a change of control. The Company is not aware of any other significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company.

The directors have the authority to purchase up to 388.9 million of its ordinary shares. The authority remains valid until the 2009 Annual General Meeting, or 14 August 2009 if earlier. A resolution will be put to shareholders to renew the authority at the 2009 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 2008 are set out in note 29. During the year shares have been released from the trust in respect of share award schemes for employees. The trust waives the right to dividends payable on those shares held by the trust that are not subject to any share plan operated by the Company where participants are the beneficial but not registered owners of shares.

Directors

The following were directors of the Company during the year:

	Appointed	Resigned
Michael Grade		
Sir George Russell		
Dawn Airey	28 February 2008	29 April 2008
Mike Clasper		
John Cresswell		
Sir James Crosby		
Ian Griffiths	9 September 2008	
Andy Haste	11 August 2008	
Rupert Howell	28 February 2008	
John McGrath		17 January 2008
Heather Killen		
John Ormerod	18 January 2008	
Sir Brian Pitman		15 May 2008
Baroness Usha Prashar		
Agnès Touraine		

Brief particulars of the directors in office at the date of this report are listed on page 40 and further details of the composition of the Board are disclosed in the Corporate Governance section.

Andy Haste was appointed to the Board on 11 August 2008, and Ian Griffiths was appointed to the Board on 9 September 2008. They will retire from the Board at the Annual General Meeting on 14 May 2009 and, being eligible, will offer themselves for election. Mike Clasper and John Cresswell will retire from the Board and, being eligible, offer themselves for re-election. Andy Haste and Mike Clasper do not have service contracts with the Company.

Information about service contracts for executive directors is set out in the Remuneration report, along with details relating to remuneration and fees.

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 2008 are set out below. Details of directors' interests over ordinary shares under the Company share schemes are set out in the Remuneration report.

	31 December 2008	31 December 2007 or appointment date if later
Michael Grade	436,407	193
Sir George Russell	62,090	4,332
Mike Clasper	18,000	18,000
John Cresswell	784,660	536,066
Ian Griffiths	100,000	n/a
Andy Haste	10,000	n/a
Rupert Howell	48,755	n/a
Sir James Crosby	98,058	98,058
Heather Killen	22,000	–
John Ormerod	50,000	n/a
Baroness Usha Prashar	3,000	3,000
Agnès Touraine	100,000	–

Between the end of the financial year and 4 March 2009 there were no changes in directors' interests except for the beneficial acquisition by Sir George Russell of 64 ordinary shares under the Dividend Reinvestment Plan.

Pension Scheme Indemnities

Qualifying pension scheme indemnity provisions, as defined in section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2008 and remain in force for the benefit of each of the directors of ITV Pension Scheme Limited, an associate company of ITV plc. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of ITV Pension Scheme Limited.

Employees

The Group's statement on its employees is set out in the Business review on pages 4 to 39.

The Company had 5,232 (2007: 5,634) employees as at 31 December 2008. Ensuring that employees are actively engaged with the Company continues to be an important part of our strategy and our communications process underpins this. 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.

The Company has a 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, development and promotion. This also covers arrangements for the continued employment of and appropriate training for employees who become disabled whilst working for the Company. The diversity policy includes a range of measures such as training where appropriate, extensive diversity monitoring and the provision of practical support in the form of 78 traineeship opportunities across the Company.

The health and safety of employees, contractors and visitors is considered 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 2008.

Donations

The Company made contributions to charities and equivalent organisations amounting to £2 million in cash and £5 million in kind (£7 million) (2007: £1 million in cash and £6 million in kind (£7 million)). As a result of the PRS issues encountered in 2007, charitable donations totalling a further £8 million were made in 2008.

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 2008 and a similar resolution will be proposed at the 2009 Annual General Meeting. During the year the Group made the following payments totalling £7,968 (2007: £9,110): Labour Party £3,920; Conservative Party £685; Liberal Democrat Party £2,086 and Plaid Cymru Party £1,277.

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 2008 was nil days (2007: nil days).

Going concern

Details of the Group's liquidity risk and going concern position are set out on page 36 of the Financial Review.

After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence 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 give details of the Group's 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. As recommended by the Audit Committee, 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 14 May 2009 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. A copy of the Notice is available on the Company's website at www.itvplc.com.

Responsibility statement

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 judgements 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 a 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.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

By order of the Board

James Tibbitts

Company Secretary

200 Gray's Inn Road
London
WC1X 8HF
4 March 2009

Independent auditor's 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 2008 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 on page 36 of the Financial review that is described as audited and the information in the Remuneration report that is described as 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 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 45.

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 4 to 39.

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 2008 and of its loss 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 2008;
- 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
4 March 2009

Consolidated income statement

For the year ended 31 December:	Note	2008 £m	2007 £m
Revenue	2	2,029	2,082
Operating costs before amortisation and impairment of intangible assets and exceptional items		(1,818)	(1,771)
Operating costs – exceptional items	5	(97)	(35)
Earnings before interest, tax and amortisation (EBITA)		114	276
Amortisation of intangible assets	13	(66)	(56)
Impairment of intangible assets	13	(2,695)	(28)
Total operating costs	4	(4,676)	(1,890)
Operating (loss)/profit		(2,647)	192
Financing income	8	316	200
Financing costs	8	(376)	(233)
Net financing costs	8	(60)	(33)
Share of (losses)/profits of joint ventures and associated undertakings	14	(15)	2
Investment income		1	1
Gain on sale, net of impairment, of properties (exceptional items)	5	(17)	9
Gain on sale, net of impairment, of subsidiaries and investments (exceptional items)	5	6	17
(Loss)/profit before tax		(2,732)	188
Taxation	9	178	(50)
(Loss)/profit for the year		(2,554)	138
Attributable to:			
Equity shareholders of the parent company		(2,556)	137
Minority interests	30	2	1
(Loss)/profit for the year		(2,554)	138
Basic (loss)/earnings per share	11	(65.9)p	3.5p
Diluted (loss)/earnings per share	11	(65.8)p	3.5p

Operating exceptional items during the year mainly comprise reorganisation and restructuring costs, fines associated with premium rate services and provisions in respect of onerous contracts for certain programme rights (see note 5 for details).

Consolidated balance sheet

At 31 December:	Note	2008 £m	2007 £m
Non-current assets			
Property, plant and equipment	12	220	211
Intangible assets	13	1,140	3,873
Investments in joint ventures and associated undertakings	14	66	79
Available for sale financial assets	15	5	10
Held to maturity investments	22	–	100
Derivative financial instruments	25	199	32
Distribution rights	16	13	7
		1,643	4,312
Current assets			
Assets held for sale	27	3	59
Programme rights and other inventory	17	516	440
Trade and other receivables due within one year	18	444	399
Trade and other receivables due after more than one year	18	10	8
Trade and other receivables	18	454	407
Derivative financial instruments	25	19	4
Cash and cash equivalents	22	616	498
		1,608	1,408
Current liabilities			
Borrowings	24	(259)	(33)
Derivative financial instruments	25	(7)	(1)
Trade and other payables due within one year	19	(748)	(677)
Trade and other payables due after more than one year	20	(26)	(9)
Trade and other payables		(774)	(686)
Current tax liabilities		(56)	(206)
Provisions	26	(43)	(27)
		(1,139)	(953)
Net current assets		469	455
Non-current liabilities			
Borrowings	24	(1,264)	(1,263)
Derivative financial instruments	25	(25)	(9)
Defined benefit pension deficit	6	(178)	(112)
Net deferred tax liability	9	(55)	(75)
Other payables	21	(15)	(65)
Provisions	26	(41)	(4)
		(1,578)	(1,528)
Net assets		534	3,239
Attributable to equity shareholders of the parent company			
Share capital	29,30	389	389
Share premium	30	120	120
Merger and other reserves	30	273	2,702
Translation reserve	30	24	4
Available for sale reserve	30	6	4
Retained earnings	30	(286)	14
Total attributable to equity shareholders of the parent company	30	526	3,233
Minority interest	30	8	6
Total equity	30	534	3,239

The accounts were approved and authorised for issue by the Board of Directors on 4 March 2009 and were signed on its behalf by:

John Cresswell

Ian Griffiths

Consolidated cash flow statement

For the year ended 31 December:	Note	£m	2008 £m	£m	2007 £m
Cash flows from operating activities					
Operating (loss)/profit before exceptional items		(2,550)		227	
Depreciation of property, plant and equipment	12	36		35	
Amortisation and impairment of intangible assets	13	2,761		84	
Share based compensation	7	10		15	
Increase in programme rights and other inventory, and distribution rights	16,17	(82)		(36)	
(Increase)/decrease in receivables		(34)		2	
Increase/(decrease) in payables		49		(10)	
Movement in working capital		(67)		(44)	
Cash generated from operations before exceptional items			190		317
Cash flow relating to operating exceptional items:					
Operating loss	5	(97)		(35)	
Increase in payables and provisions*		57		4	
Cash outflow from exceptional items			(40)		(31)
Cash generated from operations			150		286
Defined benefit pension deficit funding		(39)		(33)	
Interest received		40		44	
Interest paid on bank and other loans		(99)		(103)	
Interest paid on finance leases	24	(4)		(3)	
Investment income received		–		1	
Net taxation received		43		18	
			(59)		(76)
Net cash flow from operating activities			91		210
Cash flows from investing activities					
Acquisition of subsidiary undertakings, net of cash and cash equivalents acquired and debt repaid on acquisition	28	(6)		(29)	
Proceeds from sale of assets held for sale		35		94	
Proceeds from sale of property, plant and equipment		1		4	
Acquisition of property, plant and equipment		(32)		(37)	
Acquisition of intangible assets	13	(21)		(22)	
Acquisition of associates and investments	14, 15	(3)		(2)	
Loans granted to associates and joint ventures	14	(26)		(10)	
Loans repaid by associates and joint ventures	14	20		2	
Proceeds from sale of subsidiaries		–		5	
Net cash flow from investing activities			(32)		5
Cash flows from financing activities					
Bank and other loans – amounts repaid	22	(25)		(441)	
Bank and other loans – amounts raised	22	110		–	
Capital element of finance lease payments	22	(6)		(3)	
Dividends paid to minority interest		–		(2)	
Repayment of loan by employee benefit trust		2		–	
Purchase of own shares via employee benefit trust		–		(11)	
Sale/(purchase) of held to maturity investments	22	100		(100)	
Equity dividends paid	10	(123)		(122)	
Net cash inflow/(outflow) from financing activities			58		(679)
Net increase/(decrease) in cash and cash equivalents			117		(464)
Cash and cash equivalents at 1 January			498		961
Effects of exchange rate changes and fair value movements on cash and cash equivalents			1		1
Cash and cash equivalents at 31 December			616		498

* Includes £nil (2007: £2 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	2008 £m	2007 £m
Exchange differences on translation of foreign operations		16	2
Revaluation of available for sale investments		2	3
Disposal and impairment transferred from available for sale reserve to income statement		–	(16)
Movements in respect of cash flow hedges		4	5
Actuarial (losses)/gains on defined benefit pension schemes	6	(124)	111
Taxation on items taken directly to equity	9	35	(47)
Net (expense)/income recognised directly in equity		(67)	58
(Loss)/profit for the year		(2,554)	138
Total recognised income and expense for the year	30	(2,621)	196
Attributable to:			
Equity shareholders of the parent company	30	(2,623)	195
Minority interests	30	2	1
Total recognised income and expense for the year	30	(2,621)	196

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 disclosures on page 36 in respect of going concern form part of the audited accounts.

The Group early adopted IFRS 8 "Operating segments" in 2007, the effect of which was disclosed in the prior year.

The Group has adopted IFRIC 11 "IFRS 2 – Group and treasury share transactions" at 1 January 2008. IFRIC 11 provides guidance on whether share-based transactions involving group entities should be accounted for as equity settled or cash settled transactions, and addresses issues concerning share-based payment arrangements that involve two or more entities within the same group. The Group has also adopted IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" at 1 January 2008. IFRIC 14 provides additional guidance on assessing the amount that can be recognised as an asset of a defined benefit pension surplus and as a consequence the amount of deferred tax on that surplus. Neither of these interpretations have had a material impact on Group's results at 31 December 2008 or in previous years.

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

In accordance with IFRS 8, 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) Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect 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.

The areas involving a higher degree of judgement or complexity, or where the most sensitive estimates and assumptions are significant to affecting the financial statements are set out in accounting policies 1.7 - 1.14 below:

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 its recoverable amount being 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.

In determining the fair value of intangible assets arising on acquisition the directors are required to make judgements regarding the timing and amount of future cash flows applicable to the businesses being acquired, discounted using an appropriate discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates, expected changes to selling prices, operating costs and the expected useful lives of assets following purchase. Judgements are also made regarding whether and for how long licences will be renewed. The directors estimate the appropriate discount rate using post tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired.

Amortisation Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Goodwill is not amortised but is tested for impairment at each balance sheet date. The estimated 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	1 to 5 years

From 1 January 2008, the Group changed its estimated useful life for amortising capitalised website development costs, from 3 years to 1 year based on its experience of the pace of change in this area. The change has been applied prospectively from the start of 2008 because it was a change in accounting estimate rather than policy. The effect on the current year is to increase amortisation expense by £3 million with an estimated decrease to the amortisation charge in 2009 of £2 million.

1.8) 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).

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the asset relates. Estimates are used in deriving these cash flows and the discount rate that reflects current market assessments of the risks specific to the asset and the time value of money. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the intangible asset accounting policies affect the amounts reported in the financial statements. In particular, if different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

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.

1.9) 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 and programming for digital channels which are written off over a number of transmissions. Programme costs and rights not yet written off are included in the balance sheet at the lower of cost and net realisable value. In assessing net realisable value consideration is given to the contracted sales price and estimated costs to complete for programmes in production, and the estimated airtime value of programme stock, sports rights and film rights. In assessing the airtime value of programme stock and film rights consideration is given to whether the number of transmissions purchased can be efficiently played out over the licence period. Any reversals of write downs for programme costs and rights are recognised as a reduction in operating costs.

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 Accounting policies (continued)

1.10) Trade receivables

Trade receivables are recognised initially and subsequently at fair value. The Group provides goods and services to substantially all its customers on credit terms. Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience, the current state of the UK and overseas economies and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Group will not be able to collect all amounts due according to their original terms.

1.11) 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.

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.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due which requires judgement. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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. Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income. 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.

1.12) 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 Group takes advice from independent actuaries relating to the appropriateness of the assumptions which include life expectancy of members, expected salary and pension increases, inflation and the return on scheme assets. It is important to note, however, that comparatively small changes in the assumptions used may have a significant effect on the income statement and balance sheet. The calculations are 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. Under these valuation methods, the share price for ITV plc is projected to the end of the performance period as is the Total Shareholder Return for ITV plc and the companies in the comparator group. Based on these projections, the number of awards that will vest and their present value is determined. The valuation of these share-based payments also requires estimates to be made in respect of the number of options that are expected to be exercised. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group 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.

1.13) 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.

Third party valuations are used to fair value the Group's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs.

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 equity. Any ineffective portion of the hedge is recognised immediately in the income statement.

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

1 Accounting policies (continued)

1.14) 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. These provisions are estimates for which the amount and timing of actual cash flows are dependent on future events.

1.15) 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 annual depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. 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

1.16) 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. The estimated lives are based on historical experience with similar rights as well as anticipation of future events.

1.17) 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.

1.18) 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.

1.19) 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, in management's judgement, to show more accurately the underlying profits of the Group.

1.20) 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, cash held to meet certain finance lease commitments and gilts over which unfunded pension promises have a charge.

1.21) Trade payables

Trade payables are recognised initially and subsequently at fair value.

1 Accounting policies (continued)

1.22) 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.

1.23) 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.

1.24) ITV shares held by Employee Benefit Trusts (EBT)

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

1.25) Dividends

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

1.26) 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 payment is established.

1.27) Net financing costs

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

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 endorsed by the EU and effective in 2008

Relevant to the Group's results

IFRIC 11	IFRS 2 – Group and treasury share transactions	This interpretation provides guidance on whether share-based transactions involving Group entities should be accounted for as equity settled or cash settled transactions, and addresses issues concerning share-based payment arrangements that involve two or more entities within the same group.
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.	This interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. The interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability.

These interpretations have had no material effect on the Group's results in 2008 or previous years.

Not relevant to the Group's results

IFRIC 13	Customer loyalty programmes.	Where a customer loyalty programme operates, IFRIC 13 requires an entity to separate sales revenue into revenue from sale of the goods or services and revenue from sale of the loyalty points, with the latter being deferred until the loyalty points are redeemed.
IAS 39 and IFRS 7	Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.	An amendment to the Standards, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances.

New standards, amendments and interpretations endorsed by the EU but not yet effective

Relevant to the Group's results

Improvements to IFRS	The Improvements to IFRS contain 24 amendments that result in accounting changes for presentation, recognition or measurement purposes. The effective dates and transitional requirements are set out on a standard by standard basis. In addition there are 11 terminology or editorial amendments that are expected to have no or only minimal effects on accounting.	An amendment to IAS 10 'Events after the Reporting Period' states that if dividends are declared (ie the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with IAS 1 Presentation of Financial Statements. This will affect the timing of the recognition of the Group's interim dividend.
IFRS 2	Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations.	The definition of vesting conditions in IFRS 2 has been amended to clarify that vesting conditions are limited to service conditions and performance conditions. Conditions other than service or performance conditions are considered non-vesting conditions.
IAS 1	Amendments to IAS 1 Presentation of Financial Statements - A revised presentation.	The Group will be required to present both a statement of comprehensive income and a statement of changes in equity as financial statements. The statement of comprehensive income effectively replaces the current statement of recognised income and expense (SORIE). This represents a change from the current requirement to present only one financial statement: a SORIE or a statement of all changes in equity.

Not relevant to the Group's results

IAS 23	Amendment to IAS 23 Borrowing costs.	The revision of IAS 23 removes the option of immediately recognising an expense for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. The effect on the Group is not expected to be material.
IFRS 1 and IAS 27	Amendments to IFRS 1 and IAS 27 – Cost of an investment in a subsidiary, jointly-controlled entity or associate.	The amendments require all dividends from a subsidiary, jointly-controlled entity or associate to be recognised as income when the right to receive the dividend is established. A consequential amendment to IAS 36 outlines when the receipt of dividend income is deemed to be an indicator of impairment.
IAS 32 and IAS 1	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements.	The amendments provide exemptions from the requirement to classify as a liability, financial instruments under which an entity has an unavoidable obligation to deliver cash.

2 Operating segmental information

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, which the Group first adopted in 2007.

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

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 investment in stv group plc (formerly SMG plc).

Global Content derives its revenue primarily from ITV Studios in the UK (a commercial production company), international production centres in America, Germany, Sweden and Australia and the businesses in ITV Global Entertainment ("IGEL"). A proportion of revenue is generated internally via programme sales to the Broadcasting segment. IGEL sells programming and exploits merchandising and licensing worldwide, and is a distributor of DVD entertainment in the UK.

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 ("CSA"), 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 for the reportable segments for the years ended 31 December 2008 and 31 December 2007 is as follows:

	Broadcasting		Global Content		Online		Other		Consolidated	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Total segment revenue	1,652	1,750	622	564	36	33	40	67	2,350	2,414
Intersegment revenue	(5)	(12)	(316)	(320)	–	–	–	–	(321)	(332)
Revenue from external customers	1,647	1,738	306	244	36	33	40	67	2,029	2,082
EBITA before exceptional items	140	244	90	90	(20)	(12)	1	(11)	211	311
Share of (loss)/profit from joint ventures and associated undertakings	–	(2)	–	–	(4)	2	(11)	2	(15)	2
Total segment assets	1,589	3,934	645	590	115	419	65	84	2,414	5,027
Total assets include:										
Investments in associates and joint ventures	14	12	1	4	–	2	51	61	66	79
Additions to non-current assets (other than financial instruments)	29	46	44	68	8	8	10	1	91	123
Total segment liabilities	(492)	(389)	(294)	(226)	(27)	(74)	(5)	(18)	(818)	(707)

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 (loss)/profit before tax is provided as follows:

	2008 £m	2007 £m
EBITA before exceptional items	211	311
Operating exceptional items	(97)	(35)
Amortisation and impairment of intangible assets	(2,761)	(84)
Net financing costs	(60)	(33)
Share of (losses)/profits of joint ventures and associated undertakings	(15)	2
Investment income	1	1
Gain on sale, net of impairment, of properties (exceptional items)	(17)	9
Gain on sale, net of impairment, of subsidiaries and investments (exceptional items)	6	17
(Loss)/profit before tax	(2,732)	188

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:

	2008 £m	2007 £m
Segment assets	2,414	5,027
Unallocated:		
Held to maturity investments	–	100
Assets held for sale	3	59
Derivative financial instruments	218	36
Cash and cash equivalents	616	498
Total assets per the balance sheet	3,251	5,720

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:

	2008 £m	2007 £m
Segment liabilities	818	707
Unallocated:		
Interest accruals	30	23
Derivative financial instruments	32	10
Borrowings	1,523	1,296
Current tax liabilities	56	206
Net deferred tax liability	55	75
Dividends	25	52
Defined benefit pension deficit	178	112
Total liabilities per the balance sheet	2,717	2,481

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom is £1,821 million (2007: £1,929 million), and the total revenue from external customers in other countries is £208 million (2007: £153 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 £1,443 million (2007: £4,279 million), and the total of these non-current assets located in other countries is £1 million (2007: £1 million).

Revenues of approximately £382 million (2007: £382 million), £236 million (2007: £250 million) and £222 million (2007: £258 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

	2008 £m	2007 £m
Wages and salaries	287	260
Social security and other costs	36	31
Share-based compensation (see note 7)	10	15
Pension costs	14	18
Total	347	324

Staff costs in the current year have increased by £23 million, including £8 million due to the year on year effect of acquisitions and business expansion and £6 million due to certain staff costs no longer charged directly to programmes.

In addition, staff costs within exceptional items were £26 million (2007: £4 million) principally relating to redundancy payments and reorganisation costs. Total staff costs including exceptional items for the year ended 31 December 2008 are £373 million (2007: £328 million). In addition to the pension operating cost shown above is a net credit to net financing costs of £16 million (2007: credit of £18 million) and a net debit to retained earnings in respect of actuarial losses of £124 million (2007: gains of £111 million).

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

	2008	2007
Broadcasting	2,747	2,785
Global Content	2,338	2,444
Online	373	286
Other	139	185
Total	5,597	5,700

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

4 Total operating costs

	2008 £m	2007 £m
Staff costs		
Before exceptional items	347	324
Exceptional items	26	4
	373	328
Depreciation, amortisation and impairment		
Amortisation and impairment	2,761	84
Depreciation	36	35
Impairment of assets held for sale	–	5
	2,797	124
Other operating costs		
Broadcasting schedule costs	1,125	1,087
Broadcasting transmission costs	94	85
Broadcasting industry costs	44	37
Licence fees	30	44
CSA direct costs	33	63
Global Content non-staff costs	217	159
Online non-staff costs	42	35
Operating lease costs	19	19
Other operating exceptional items	71	31
Audit and non-audit fees paid to KPMG Audit Plc (see below)	2	2
Other	55	106
	1,732	1,668
Less: Staff costs and other costs charged to broadcasting schedule costs	(226)	(230)
Total operating costs	4,676	1,890

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.

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

	2008 £m	2007 £m
Fees payable to KPMG for the audit of the Group’s annual accounts	0.9	0.8
Fees payable to KPMG and its associates for other services:		
The audit of the Group’s subsidiaries pursuant to legislation	0.2	0.2
Other services supplied pursuant to legislation	0.1	0.1
Other services relating to taxation	0.5	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	0.6	0.3
All other services	–	0.1
Total	2.3	1.9

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

	2008 £m	2007 £m
Operating exceptional items:		
Reorganisation and restructuring costs	(40)	(8)
PRS reimbursements and fines	(6)	(18)
Onerous contract provisions	(50)	(9)
Kangaroo	(1)	–
	(97)	(35)
Non-operating exceptional items:		
Gain on sale, net of impairment, of properties	(17)	9
Gain on sale, net of impairment, of subsidiaries and investments	17	43
Impairment of available for sale financial assets	(7)	(26)
Kangaroo	(4)	–
	(11)	26
Total exceptional items before tax	(108)	(9)

2008

In 2008 a charge of £40 million was incurred in respect of reorganisation and restructuring costs. This includes £18 million related to Regional News and £22 million as a result of other efficiency programmes.

On 8 May 2008, Ofcom announced a fine to ITV of £6 million in respect of breaches of the programme code relating to premium rate services on ITV1 and ITV2. At the date of approval of the 2007 accounts, the regulator had not yet confirmed the level of any fine that might have been imposed in this context. Therefore no provision for a fine was able to be included in the 2007 accounts.

Provisions in respect of onerous contracts for sports rights of £50 million were put in place in 2008 as a consequence of the forecast significant decline in the advertising market over the life of those contracts.

An impairment of £14 million was charged on the Manchester properties prior to their reclassification from assets held for sale to fixed assets and an impairment of £3 million has been charged on the remaining property classified in assets held for sale.

During the year, as part of the ongoing process to dispose of non-core businesses and investments, the Group sold its 50% interests in Arsenal Broadband Limited and Liverpool FC.tv Limited, resulting in gains of £12 million and £13 million respectively. These and other smaller gains were partially offset by £9 million of closure costs relating to CSA and a £3 million impairment in the Group's investment in Screenvision Holdings (Europe) Limited both of which are disclosed in the 'other' reporting segment.

An impairment of the holding in stv group plc, which is held in the Broadcasting segment, of £7 million (2007: £26 million) was made following a significant and sustained decline in its share price.

A summary of the 2008 Kangaroo operating and exceptional costs is included in the table below:

Kangaroo costs	Accounting treatment	2008 £m
Impairment of intangible fixed assets	Operating exceptional costs	1
Impairment of investment in joint venture	Non-operating exceptional costs	4
Exceptional Kangaroo costs		5
Kangaroo losses included in Online Segment	Operating costs	3
Total Kangaroo costs in 2008		8

In 2009 ITV expects to incur £1 million of operating costs and £3 million of closure costs, which will be shown as operating exceptional costs, in respect of Kangaroo.

2007

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 formed part of a larger project.

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

A net gain of £9 million was recognised from the sale of properties. A gain of £17 million was recognised from the sale of subsidiaries and investments net of impairment of investments. This included 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 stv group plc, which is held in the Broadcasting segment, (£26 million) following a significant and sustained decline in its share price.

Operating exceptional items included £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 (£10 million) and GMTV (£8 million).

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 2008 were £4 million (2007: £3 million).

Defined benefit schemes

The Group provides retirement benefits to some of its former and approximately 25% of its 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.

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 revaluation rather than projected earning increases. At the balance sheet date the accumulated benefit obligation was £2,310 million (2007: £2,550 million).

The assets and liabilities of all the Group's defined benefit pension schemes recognised in the balance sheet at 31 December 2008 under IAS 19 (as explained in detail in this note) were £2,161 million (2007: £2,491 million) and £2,339 million (2007: £2,603 million) respectively, resulting in a net deficit in the defined benefit schemes of £178 million (2007: £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 £1,800 million (2007: £1,100 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 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 was completed at 1 January 2008 by an independent actuary for the Trustees of the ITV Pension Scheme. The first triennial valuations of sections B and C were 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. Normal employer contributions into the schemes in 2009 for current service are expected to be in the region of £11 million (2007: £11 million) assuming current contribution rates continue as agreed with the scheme trustees. In addition, deficit funding payments of £30 million per annum are expected for the next five years. The Group estimates that the present value of the duration of UK scheme liabilities, on average, fall due over 14 years (2007: 16 years).

6 Pension schemes (continued)

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

	2008 £m	2007 £m
Defined benefit obligation at 1 January	2,603	2,657
Current service cost	12	15
Curtailment gain	(2)	–
Interest cost	146	134
Net actuarial gain	(314)	(96)
Contributions by scheme participants	6	5
Benefits paid	(112)	(112)
Defined benefit obligation at 31 December	2,339	2,603

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

	2008 £m	2007 £m
Defined benefit obligation in respect of funded schemes	2,309	2,567
Defined benefit obligation in respect of wholly unfunded schemes	30	36
Total defined benefit obligation	2,339	2,603

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

	2008 £m	2007 £m
Fair value of assets at 1 January	2,491	2,372
Expected return on assets	162	152
Net actuarial (loss)/gain	(438)	15
Employer contributions	52	59
Contributions by scheme participants	6	5
Benefits paid	(112)	(112)
Fair value of assets at 31 December	2,161	2,491

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

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Total defined benefit scheme assets	2,161	2,491	2,372	2,072	1,685
Total defined benefit scheme obligations	(2,339)	(2,603)	(2,657)	(2,604)	(2,357)
Net amount recognised within the balance sheet	(178)	(112)	(285)	(532)	(672)

Amounts recognised through the income statement are as follows:

	2008 £m	2007 £m
Amount charged to operating costs:		
Current service cost	(12)	(15)
Curtailment gain	2	–
	(10)	(15)
Amount credited/(charged) to net financing costs:		
Expected return on pension scheme assets	162	152
Interest cost	(146)	(134)
	16	18
Total credited in the income statement	6	3

6 Pension schemes (continued)

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

	2008 £m	2007 £m
Actuarial gains and (losses):		
Arising on scheme assets	(438)	15
Arising on scheme liabilities	314	96
	(124)	111

The cumulative amount of actuarial gains and losses recognised through the statement of recognised income and expense since 1 January 2004 is an actuarial loss of £72 million (2007: £52 million gain).

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

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Experience adjustments on scheme assets	(438)	15	32	219	56
Experience adjustments on scheme liabilities	–	(18)	(12)	9	(70)

At 31 December 2008 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities.

The fair value of the scheme assets are shown below by major category:

	Market value 2008 £m	Market value 2007 £m
Market value of assets – equities and property	704	1,284
Market value of assets – bonds	1,330	1,087
Market value of assets – other	127	120
Total scheme assets	2,161	2,491

Exposure through the different asset classes is obtained through a combination of executing swaps and investing in physical assets. Some of these bond investments are issued by the UK Government. The risk of default on these is very small compared to the risk of default on corporate bond investments, although some risk may remain. 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. Over 2008, yields have increased significantly relative to gilts and this is partly attributed to an increase in default risk in respect of these bonds.

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.

In respect of overseas equity investments there is an additional risk associated with the exposure to unfavourable currency movements. To reduce this risk, the Scheme aims to hedge broadly 60% of the overseas equity investment against currency movements.

The expected return for each asset class is weighted based on the target asset allocation for 2009 to develop the expected long-term rate of return on assets assumption for the portfolio.

The benchmark for 2009 is to hold broadly 47% equities and 53% 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 22% of equities being held in the UK and 78% of equities held overseas. Within the bond portfolio the aim is to hold 58% of the portfolio in government bonds (gilts) and 42% of the portfolio in corporate bonds and other fixed interest securities.

The expected rates of return on plan assets by major category and target allocations for 2009 are set out below:

	Expected long-term rate of return 2009 % p.a.	Planned asset allocation 2009 % of assets	Expected long-term rate of return 2008 % p.a.	Planned asset allocation 2008 % of assets
Equities and property	7.5	47	7.7	55
Bonds	3.6 – 6.3	53	4.4 – 5.9	45
Other	n/a	–	n/a	–

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. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value.

The actual return on plan assets in the year ended 31 December 2008 was a decrease of £276 million (2007: increase of £167 million).

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

	2008	2007
Rate of general increase in salaries	3.80%	4.65%
Rate of increase in pension payment (LPI 5% pension increases)	2.70%	3.30%
Rate of increase to deferred pensions	2.80%	3.40%
Discount rate for scheme liabilities	6.30%	5.70%
Inflation assumption	2.80%	3.40%

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 assumptions. 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 year of birth tables with medium cohort improvements, with a 1% per annum underpin and a one year age rating (i.e. tables are adjusted so that a member is assumed to be one year older than actual age). Using these tables the assumed life expectations on retirement are:

	2008	2008	2007	2007
Retiring today at age	60	65	60	65
Males	26.5	21.6	24.4	19.8
Females	29.8	24.8	27.4	22.8
Retiring in 20 years at age	60	65	60	65
Males	28.5	23.4	25.5	20.8
Females	31.9	26.7	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. These tables differ from those used as at 31 December 2007 which were the PA92 tables with mortality projected to 2020 for pensioners and 2035 for non-pensioners using the standard (non-cohort) improvements. This change resulted in an increase in the assumed life expectations.

The sensitivities regarding the principal assumptions used to measure the scheme's 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 7%
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 2%

7 Share-based compensation

	2008		2007	
	Number of options ('000)	Weighted average exercise price (pence)	Number of options ('000)	Weighted average exercise price (pence)
Outstanding at 1 January	131,803	79.46	165,185	86.67
Granted during the year – nil priced	20,929	–	34,758	–
Granted during the year – other	15,132	52.00	3,479	86.72
Forfeited during the year	(15,295)	52.99	(8,087)	67.13
Exercised during the year	(11,351)	6.63	(28,469)	34.50
Expired during the year	(24,764)	80.94	(35,063)	74.73
Outstanding at 31 December	116,454	71.88	131,803	79.46
Exercisable at 31 December	42,057	151.48	51,818	147.88

The average share price during 2008 was 52.34 pence (2007: 105.73 pence).

Range of exercise prices (pence)	2008			2007		
	Weighted average exercise price (pence)	Number of options ('000)	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)	Number of options ('000)	Weighted average remaining contractual life (years)
Nil	–	53,272	4.20	–	59,206	2.69
50.00–69.99	53.80	14,106	3.54	63.37	5,784	1.82
70.00–99.99	84.95	4,546	2.68	54.59	8,434	3.79
100.00–109.99	101.96	12,032	2.04	101.94	13,808	2.90
110.00–119.99	114.55	11,957	5.73	114.62	16,218	6.69
120.00–149.99	133.63	6,367	3.97	132.37	10,713	5.31
200.00–249.99	217.78	1,201	1.98	217.78	1,357	2.98
250.00–299.99	270.25	12,882	1.54	269.13	16,192	2.36
300.00–385.99	385.31	91	1.40	385.31	91	2.40

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.

Awards made under the Granada Media and Granada Commitment schemes, the Granada Media, Granada and Carlton Executive Share Option schemes, the Carlton Equity Participation Plan, and the Carlton Deferred Annual Bonus Plan have all reached the end of their various performance periods, and have vested or lapsed accordingly. Details of the performance criteria that applied to these awards have been detailed in the notes to previous accounts, and in previous Remuneration reports. The Granada, Carlton and ITV Sharesave schemes are Inland Revenue Approved SAYE schemes. Although some awards remain vested but unexercised under these Plans, they are not considered material for the purposes of disclosure again in this note.

Exercises can be satisfied by market purchase or by new issue shares. No new shares may be issued to satisfy exercises under the terms of the Deferred Share Award Plan. During the year all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust rather than by issuing new shares.

7 Share-based compensation (continued)

Assumptions relating to grants of share options during 2008 and 2007:

Scheme 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)
Sharesave								
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
ITV – three year	04-Apr-08	65.00	52.00	25.00%	3.25	2.84%	3.93%	17.00
ITV – five year	04-Apr-08	65.00	52.00	25.00%	5.25	2.84%	4.09%	19.00
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
ITV – three year	12-Sep-08	49.90	–	25.00%	2.25	2.96%	5.04%	14.00
ITV – five year	12-Sep-08	49.90	–	25.00%	4.25	2.96%	4.98%	18.00
ITV – three year	02-Oct-08	42.30	–	25.00%	2.25	2.96%	5.04%	12.00
ITV – five year	02-Oct-08	42.30	–	25.00%	4.25	2.96%	4.98%	16.00

The expected volatility is based on the historic volatility of ITV plc, which 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 compensation charges totalled £10 million in 2008 (2007: £15 million).

8 Net financing costs

	2008 £m	2007 £m
Financing income:		
Interest income on bank deposits	23	30
Expected return on defined benefit pension scheme assets	162	152
Change in fair value of financial liabilities designated at fair value through profit or loss	123	14
Other interest receivable	8	4
	316	200
Financing costs:		
Interest expense on financial liabilities measured at amortised cost	(110)	(54)
Foreign exchange loss	(116)	(42)
Interest on defined benefit pension plan obligations	(146)	(134)
Other interest expense	(4)	(3)
	(376)	(233)
Net financing costs	(60)	(33)

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.

As a result of ITV's credit rating with Standard & Poor's being lowered to BB+ in August 2008 the 2011 €500 million bond and the 2017 £250 million bond were subject to coupon step ups. This has resulted in the recalculation of the amortised cost carrying value of the bonds as required by IAS 39. The carrying value of the 2011 €500 million bond has increased by £12 million, and the 2017 £250 million bond by £18 million. This has resulted in an increase in the amortised cost of the bonds and interest expense of £30 million (2007: £nil) during the current year. The increase in the amortised cost of the bonds will unwind in future years resulting in a credit to interest expense.

9 Taxation

Recognised in the income statement:

	2008 £m	2007 £m
Current tax expense:		
Current tax charge before exceptional items	(28)	(58)
Current tax credit on exceptional items	23	3
	(5)	(55)
Adjustment for prior periods	198	25
	193	(30)
Deferred tax:		
Origination and reversal of temporary differences	(3)	(9)
Deferred tax credit on exceptional items	-	3
Adjustment for prior periods	(12)	(14)
	(15)	(20)
Total taxation credit/(expense) in the income statement	178	(50)

Reconciliation of taxation credit/(expense):

	2008 £m	2007 £m
(Loss)/profit before tax	(2,732)	188
Taxation credit/(expense) at UK corporation tax rate of 28.5% (2007: 30%)	779	(56)
Non-taxable/non-deductible exceptional items	(8)	3
Non-taxable income/non-deductible expenses	(6)	(7)
Effect of tax losses utilised	-	4
Over provision in prior periods	186	11
Impact of tax rate change	1	4
Impact of goodwill impairment	(768)	(6)
Other	(6)	(3)
	178	(50)

In the year ended 31 December 2008 the effective tax rate is lower (2007: 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 including £57 million which has resulted in an adjustment through goodwill related to the ITV merger in February 2004 as required by IAS 12 (2007: 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 32% (2007: 31%).

A tax credit totalling £35 million (2007: expense of £47 million) has been recognised directly in equity representing current tax of £nil (2007: credit of £nil) and a deferred tax credit of £35 million (2007: expense of £47 million).

9 Taxation (continued)

Deferred tax assets/(liabilities) recognised and their movements are:

	At 1 January 2008 £m	Business combinations £m	Recognised in the income statement £m	Recognised in equity £m	At 31 December 2008 £m
Property, plant and equipment	(13)	–	(2)	–	(15)
Intangible assets	(113)	–	18	–	(95)
Programme rights	3	–	1	–	4
Pension scheme deficits	31	–	(17)	35	49
Pensions funding payments	11	–	(11)	–	–
Interest-bearing loans and borrowings, and derivatives	(2)	–	1	–	(1)
Share-based compensation	4	–	–	–	4
Unremitted earnings of subsidiaries, associates and joint ventures	(2)	–	(1)	–	(3)
Other	6	–	(4)	–	2
	(75)	–	(15)	35	(55)

	At 1 January 2007 £m	Business combinations £m	Recognised in the income statement £m	Recognised in equity £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 compensation	26	–	(6)	(16)	4
Unremitted earnings of subsidiaries, associates and joint ventures	(3)	–	1	–	(2)
Other	3	–	3	–	6
	(7)	(1)	(20)	(47)	(75)

The amount of the deferred tax liability at 31 December 2008 was reduced by £1 million (2007: £6 million) as a consequence of the re-statement of the liability to the reduced 28% rate at which the liability is expected to reverse. Of this benefit £1 million (2007: £4 million) has been taken through the income statement and £nil (2007: £2 million) through equity in accordance with IAS 12.

At 31 December 2008 total deferred tax assets are £59 million (2007: £55 million) and total deferred tax liabilities are £114 million (2007: £130 million).

Deferred tax assets estimated at £0.6 billion and £0.1 billion (2007: £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 their 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 (2007: £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:

	2008 £m	2007 £m
Equity shares:		
Final 2006 dividend of 1.8 pence per share	–	70
Interim 2007 dividend of 1.35 pence per share	–	52
Final 2007 dividend of 1.8 pence per share	70	–
Interim 2008 dividend of 0.675 pence per share	26	–
	96	122

£1 million relating to the DRIP element of the 2008 interim dividend was paid before the balance sheet date. No final dividend will be declared for 2008.

11 Earnings per share

	2008		2007	
	Basic £m	Diluted £m	Basic £m	Diluted £m
(Loss)/profit for the year attributable to equity shareholders of the parent company	(2,556)	(2,556)	137	137
Exceptional items (including related tax effect of a credit of £23 million, 2007: credit of £6 million)	85	85	3	3
(Loss)/profit for the year before exceptional items	(2,471)	(2,471)	140	140
Amortisation and impairment of intangible assets (including related tax credit of £19 million, 2007: £19 million)	2,742	2,742	65	65
IAS 39 charge in respect of amortised cost adjustment (including related tax credit of £9 million, 2007: £nil)	21	21	–	–
Prior period tax adjustments	(186)	(186)	(11)	(11)
Profit for the year before exceptional items, amortisation and impairment of intangible assets, amortised cost adjustment and prior period tax adjustments	106	106	194	194
Weighted average number of ordinary shares in issue – million	3,877	3,877	3,874	3,874
Dilution impact of share options – million	–	9	–	23
	3,877	3,886	3,874	3,897
(Loss)/earnings per ordinary share	(65.9)p	(65.8)p	3.5p	3.5p
Adjusted earnings per ordinary share				
Basic (loss)/earnings per ordinary share	(65.9)p	(65.8)p	3.5p	3.5p
Add: Loss per ordinary share on exceptional items	2.2p	2.2p	0.1p	0.1p
(Loss)/earnings per ordinary share before exceptional items	(63.7)p	(63.6)p	3.6p	3.6p
Add: Loss per ordinary share on amortisation and impairment of intangible assets	70.7p	70.6p	1.7p	1.7p
Add: IAS 39 charge in respect of amortised cost adjustment	0.5p	0.5p	–	–
Subtract: Profit per ordinary share on prior period tax adjustments	(4.8)p	(4.8)p	(0.3)p	(0.3)p
Adjusted earnings per ordinary share for the year before exceptional items, amortisation and impairment of intangible assets, amortised cost adjustment and prior period tax adjustments	2.7p	2.7p	5.0p	5.0p

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.

12 Property, plant and equipment

	Freehold land and buildings	Improvements to leasehold land and buildings		Vehicles, equipment and fittings		Total
	£m	Long £m	Short £m	Owned £m	Leased £m	
Cost						
At 1 January 2007	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
Additions	–	–	–	21	–	21
Reclassification from assets held for sale	27	3	–	–	–	30
Disposals and retirements	(1)	–	(1)	(31)	(1)	(34)
At 31 December 2008	49	69	20	241	15	394
Depreciation						
At 1 January 2007	–	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
Charge for the year	1	1	1	30	3	36
Disposals and retirements	(1)	–	(1)	(25)	(1)	(28)
At 31 December 2008	–	13	8	149	4	174
Net book value						
At 31 December 2008	49	56	12	92	11	220
At 31 December 2007	23	54	13	107	14	211

Included within the book values above is expenditure of £10 million (2007: £11 million) on property, plant and equipment which are in the course of construction. Also included within the book values above is £11 million relating to assets held under finance leases (2007: £14 million). The amount of contractual commitments for the acquisition of property, plant and equipment is disclosed in note 33.

13 Intangible assets

	Goodwill	Brands	Customer contracts and relationships	Licences	Software development	Film libraries and other	Total
	£m	£m	£m	£m	£m	£m	
Cost							
At 1 January 2007	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
Acquisition of subsidiaries	6	–	–	–	–	1	7
Purchase of brands and internal development	–	1	–	–	20	–	21
At 31 December 2008	3,484	200	338	121	46	84	4,273
Amortisation and impairment							
At 1 January 2007	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
Charge for the year	–	18	22	9	8	9	66
Impairment charge and goodwill reduction	2,695	–	–	–	–	–	2,695
At 31 December 2008	2,735	86	234	38	9	31	3,133
Net book value							
At 31 December 2008	749	114	104	83	37	53	1,140
At 31 December 2007	3,438	131	126	92	25	61	3,873

13 Intangible assets (continued)

Amortisation of intangible assets is shown within operating costs in the income statement. The components of the £2,695 million impairment charge and goodwill reduction in 2008 are explained below

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	2008 £m	2007 £m
Broadcasting	265	2,631
GMTV	33	54
SDN	76	76
Global Content	307	301
Online	68	376
	749	3,438

The recoverable amount of each CGU is based on value in use calculations. These calculations require the use of estimates and use pre-tax cash flow projections based on the Group's current five-year plan. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2%–2.5% depending on the CGU and are appropriate because these are long-term businesses. The growth rates used are consistent with the long-term average growth rates for the industry.

Impairment tests are carried out annually, or when indicators show that assets may be impaired. Current market estimates imply a downturn in the advertising market in 2009 and 2010 which constitutes an impairment indicator for the Broadcasting, GMTV and Online CGUs which are reliant on advertising revenue. The impairment tests carried out as a consequence have resulted in a total impairment charge of £2,695 million for the year (2007: £28 million) being applied against the goodwill in these CGUs.

A pre-tax market discount rate of 11.9% has been used in discounting the projected cash flows for each CGU. The pre-tax market discount rate used in the previous year on the same basis was 10.9%. The discount rate has been revised to reflect the latest market assumptions for the Risk Free-rate and Equity Risk Premium and also to take into account the net cost of debt. Management believe that there is currently no reasonably possible change in discount rate which would reduce the headroom in the SDN or Global Content CGUs to zero.

Broadcasting

The goodwill in this CGU arose as a result of the acquisition of broadcasting businesses since 1999, the largest of which were the acquisition by Granada of United News and Media's broadcast businesses in 2000 and the merger of Carlton and Granada in 2004 to form ITV plc. In 2007, as a result of the early adoption of IFRS 8 Operating Segments, this goodwill was apportioned between the Broadcasting and Online CGUs based on the relative Net Present Value of the cash flows of the two segments. Broadcasting goodwill was reduced in the year by £57 million, as required by IAS12, following the recognition of deferred tax assets not recognised at the time of the Carlton/Granada merger.

An impairment charge of £2,309 million arose in the Broadcasting CGU during the course of 2008, resulting in the carrying value of the goodwill in this CGU being written down to its recoverable amount. The impairment charge arose as a result of the downturn in the short-term outlook for the advertising market, which is an area highly exposed to the general downturn in the economy, the use of cautious medium-term assumptions as a consequence and long-term growth rates in line with the industry average.

The main assumptions on which the forecast cash flows were based include the television share of advertising market, share of commercial impacts, programme and other costs. The key assumption in assessing the recoverable amount of Broadcasting goodwill is the size of the TV advertising market. The TV advertising market has been very volatile in recent months and the expectations in the short term have deteriorated. In forming its assumptions about the TV advertising market, the Group has used a combination of long term trends, industry forecasts and in-house estimates which place greater emphasis on recent experience. These are broadly in the range of -10% to -16% for 2009 and +2% to -4% for 2010, with the most recent to the bottom end of these ranges. It is also assumed that ITV elects to renew its broadcasting licences in 2014. If the estimated TV advertising market growth for 2009 used in the value in use calculation for the Broadcasting CGU (included in the "Broadcasting" segment) had been 1% lower than the estimate used at 31 December 2008 the Group would have recognised a further impairment against goodwill of £132 million.

GMTV

The goodwill in this CGU arose on the acquisition of a 75% shareholding in GMTV Limited in 2004.

An impairment charge of £21 million arose in the GMTV CGU during the course of 2008, resulting in the carrying value of the goodwill in this CGU being written down to its recoverable amount. The impairment charge arose as a result of the downturn in the short-term outlook for the advertising market which is an area highly exposed to the general downturn in the economy.

The main assumptions on which the forecast cash flows are based are as described under the Broadcasting CGU above.

If the estimated TV advertising market growth for 2009 used in the value in use calculation for the GMTV CGU (included in the "Broadcasting" segment) had been 1% lower than the industry estimate used at 31 December 2008 the Group would have recognised a further impairment against goodwill of £5 million.

13 Intangible assets (continued)

SDN

The goodwill in this CGU arose on the acquisition of SDN (the licence operator for DTT Multiplex A) in 2005 and represented the wider strategic benefits of the acquisition to ITV plc. The strategic benefits were principally the enhanced ability to promote Freeview as a platform, business relationships with the channels which are on Multiplex A and additional capacity available from 2010.

The main assumptions on which the forecast cash flows were based are income to be earned from medium-term contracts and the market price of available multiplex video streams in the period up to and beyond digital switch over. These assumptions have been determined by using a combination of current contract terms, recent market transactions and in-house estimates of video stream availability and pricing. It is also assumed that the Multiplex 'A' licence is renewed to 2022.

Management believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

Global Content

The goodwill in this CGU arose as a result of the acquisition of production businesses since 1999, the largest of which were the acquisition by Granada of United News and Media's production businesses in 2000 and the merger of Carlton and Granada in 2004 to form ITV plc.

The key assumptions on which the forecast cash flows were based include revenue (including the 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 estimates and in-house estimates of growth rates in all markets.

Management believe that currently no reasonably possible change in the revenue and margin assumptions would reduce the headroom in this CGU to zero.

Online

As noted above, in 2007 as a result of the adoption of IFRS 8, broadcasting goodwill was apportioned between the Broadcasting and Online CGUs based on the relative Net Present Value of the cash flows of the two segments. This resulted in £257 million of Online goodwill. The remainder of the Online goodwill arose on the acquisition of Friends Reunited in 2005.

An impairment charge of £308 million arose in the Online CGU during the course of 2008, resulting in the carrying value of the goodwill in this CGU being written down to its recoverable amount. The impairment charge arose as a result of the downturn in the short-term outlook for the advertising market which is an area highly exposed to the general downturn in the economy and the over-supply of white-space advertising on online sites, leading to a significant fall in its value.

The key assumption on which the cash flows were based is the Group's online advertising revenue growth. Online advertising is dependent on a number of factors including Online's share of the total advertising market, as well as page impressions, unique users, average dwell times, video views and advertising rates (CPT) generated by the Group's online sites. However no one factor is key in determining the Group's online advertising revenue. The Group's online revenue growth assumptions have been determined by using a combination of industry forecasts and in-house estimates of growth rates which are based on recent experience. Industry estimates of growth in the online advertising market range from 4% to 17% in 2009 and 9% to 20% in 2010.

If the estimated online revenue growth for 2009 used in the value in use calculation for the Online CGU (included in the "Online" segment) had been 1% lower than the estimate used at 31 December 2008, the Group would have recognised a further impairment against goodwill of £6 million.

2007

The £28 million impairment charge in 2007 related to the CSA CGU and was a result of structural changes in the cinema advertising market. Of the £28 million, £20 million of the impairment related to goodwill and £8 million to other intangible assets. The majority of the business and assets were sold in 2008.

14 Investments in joint ventures and associated undertakings

	Joint ventures £m	Associated undertakings £m	Total £m
At 1 January 2007	59	7	66
Additions	4	9	13
Repayment of loans	(1)	–	(1)
Exchange movement and other	1	–	1
At 31 December 2007	63	16	79
Additions	17	10	27
Share of attributable losses	(18)	–	(18)
Repayment of loans	(7)	(10)	(17)
Impairment	(7)	–	(7)
Exchange movement and other	2	–	2
At 31 December 2008	50	16	66

The £17 million of additions to joint ventures during the year includes further loans and investments of £8 million in Screenvision (Holdings) Europe, which subsequently repaid loans and interest of the equivalent amount. Further additions consist of investments of £4 million in Freesat and £5 million in Kangaroo.

The £18 million of losses of joint ventures and £7 million loan repayment above exclude the £3 million in respect of a loan previously written off which has now been repaid. This amount is included as a credit in the share of loss of associates and joint ventures in the income statement.

Of the share of attributable losses of joint ventures, £nil (2007: £2 million) was allocated to assets held for sale (see note 27) in line with their balance sheet classification.

Impairments of the Group's investments in joint ventures of £7 million consist of the impairment down to £nil of the Group's investments in Screenvision (Holdings) Europe (£3 million) prior to its reclassification to assets held for sale and Kangaroo (£4 million) following the Competition Commission's decision to block this joint venture.

Additions in associated undertakings of £10 million include loans of £6 million to ITN, £3 million to Mammoth Screen and an investment of £1 million in Crackit Productions. Loan repayments of £10 million have been received in the year and consist of £4 million from ITN and £6 million from Mammoth Screen.

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

	2008 £m	2007 £m
Assets	66	69
Liabilities	(63)	(68)
Revenue	122	117
Profit	–	2

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

	2008 £m	2007 £m
Non-current assets	37	54
Current assets	75	45
Current liabilities	(37)	(24)
Non-current liabilities	(33)	(28)
Revenue	84	68
Expense	(102)	(68)

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.

15 Available for sale financial assets

	2008 £m	2007 £m
At 1 January	10	37
Additions	2	–
Revaluation to fair value	–	(1)
Impairment (see note 5)	(7)	(26)
At 31 December	5	10

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

Additions of £2 million relate to a purchase of shares of Electric Farm Entertainment LLC representing a 10% stake. The Group has an option to purchase a further 41% of the share capital. This option has been valued and has a fair value of £nil.

16 Distribution rights

	2008 £m	2007 £m
Cost		
At 1 January	68	57
Additions	14	11
At 31 December	82	68
Charged to income statement		
At 1 January	61	46
Expense for the year	8	15
At 31 December	69	61
Net book value	13	7

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

17 Programme rights and other inventory

	2008 £m	2007 £m
Commissions	125	116
Sports rights	57	23
Acquired films	237	222
Production	62	55
Prepayments	29	22
Other	6	2
	516	440

Net programme rights and other inventory written off in the year was £29 million (2007: £28 million), including £2 million (2007: £nil) for reversals relating to inventory previously written down to net realisable value. In addition to these amounts, there are exceptional costs for onerous contract provisions in respect of onerous sports rights of £50 million (2007: £nil), as disclosed in note 5, of which £5 million (2007: £nil) has been written off against sports rights and £1 million (2007: £nil) has been written off against prepayments above. The remaining £44 million (2007: £nil) has been included in provisions, see note 26.

18 Trade and other receivables

	2008 £m	2007 £m
Due within one year:		
Trade receivables	336	317
Other receivables	24	14
Prepayments and accrued income	84	68
	444	399
Due after more than one year:		
Trade receivables	9	7
Prepayments and accrued income	1	1
	10	8
Total trade and other receivables	454	407

As at 31 December 2008, trade receivables of £14 million (2007: £9 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:

	2008 £m	2007 £m
At 1 January	9	16
Charged during the year	9	3
Receivables written off during the year as uncollectible	(1)	(3)
Unused amounts reversed	(3)	(7)
At 31 December	14	9

Trade receivables that are less than three months past due are not usually considered impaired. As at 31 December 2008, trade receivables of £134 million (2007: £86 million) were past due but not impaired. Of this, £52 million (2007: £46 million) relates to non-consolidated licensee customers in the Broadcasting segment where the Group has supplier and customer relationships. Further amounts relating to these same customers of £4 million (2007: £3 million) and £14 million (2007: £8 million) are included in current trade receivables and other receivables respectively. There is also a credit of £42 million (2007: credit of £40 million) included in trade and other payables relating to these customers. The net balance due from non-consolidated licensees is £28 million (2007: £17 million), £22 million of which is due from stv group plc (2007: £14 million) and £6 million is due from UTV (2007: £3 million). The remainder of trade receivables past due but not impaired relates to a number of customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	2008 £m	2007 £m
Current	211	238
Up to 30 days overdue	48	32
Between 30 and 90 days overdue	21	8
Over 90 days overdue	65	46
	345	324

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

	2008 £m	2007 £m
Trade payables	175	183
Social security	13	9
Other payables	201	102
Accruals and deferred income	334	331
Dividends	25	52
	748	677

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

	2008 £m	2007 £m
Trade payables	26	9

21 Non-current liabilities – other payables

	2008 £m	2007 £m
Other payables	15	65

22 Analysis of net debt

	1 January 2008 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	31 December 2008 £m
Cash	381	122	–	503
Cash equivalents	117	(5)	1	113
Cash and cash equivalents	498	117	1	616
Held to maturity investments	100	(100)	–	–
Loans and loan notes due within one year	(27)	25	(250)	(252)
Finance leases due within one year	(6)	6	(7)	(7)
Loans and loan notes due after one year	(1,184)	(110)	102	(1,192)
Finance leases due after one year	(79)	–	7	(72)
	(1,296)	(79)	(148)	(1,523)
Swap held against €500 million bond	30	–	117	147
Amortised cost adjustment (see note 8)	–	–	30	30
Net debt	(668)	(62)	–	(730)

	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 €500 million bond	–	–	30	30
Net debt	(734)	80	(14)	(668)

Included within cash equivalents is £67 million (2007: £71 million) the use of which is restricted to meeting finance lease commitments under programme sale and leaseback commitments and gilts of £33 million (2007: £32 million) over which the unfunded pension promises have a charge.

In July 2008 ITV issued a £110 million bond with a maturity of March 2013 and a coupon of 3-month sterling LIBOR plus 2.7%. During 2008 ITV redeemed loan notes totalling £25 million.

In August 2007 ITV purchased a £100 million senior note issued by UBS AG (“UBS”) under UBS’s Euro Note Programme. This note was redeemed for cash in November 2008. During the year the return earned was 8.2% on a per annum basis.

At the time of issue of the 2011 €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 2008 the currency element of the swap is a £147 million asset (2007: £30 million asset) and this offsets the exchange rate movement of the bond. The interest element of the swap is a £5 million asset (2007: £7 million liability) resulting in an overall net asset total at 31 December 2008 of £152 million (2007: £23 million net asset total).

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 2008, 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 (2007: £2 million) higher/lower. Equity would have been £9 million (2007: £7 million) higher/lower.

At 31 December 2008, 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 £2 million (2007: £1 million) higher/lower. Equity would have been £5 million (2007: £5 million) higher/lower.

b) Price risk

The Group is exposed to equity securities price risk due to its investment in stv group plc. During 2008 stv group plc performed a 1 for 20 share consolidation. The share price at 31 December 2008 was 78 pence (equivalent to 3.9 pence before the share consolidation) and represents a 76% fall in the year (2007: 75%) versus the 31% decrease (2007: 3% increase) in the FTSE 100. The investment in stv group 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 in the year an impairment charge has been recognised in the income statement. This £7 million charge reflected the decline in the share price in the year as an impairment of £26 million was also recognised in 2007. If the share price had increased/decreased by another 10% at 31 December 2008 the impairment charge would have been £0.2 million lower/higher.

c) Fair value interest risk

The Group's principal interest rate risk arises from long-term borrowings and associated interest rate swaps. Borrowings issued at or swapped to 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 held 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 profit or loss so any movement in the fair value goes through the income statement rather than equity.

At 31 December 2008, if interest rates had increased/decreased by 0.1%, post-tax profit for the year would have been £1 million (2007: £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 this impacts the availability and cost of future finance.

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 and perceived state support. Counterparty limits were reviewed and reduced during 2008. Deposits longer than one month require the approval of the Management Committee.

c) Borrowings

In August 2008 Standard & Poors lowered ITV's credit rating to BB+. As a consequence the coupons on the €500 million 2011 and £250 million 2017 bonds issued in October 2006 increased by 1.25% with effect from October 2008 and January 2009 respectively. In September 2008 Moody's Investor Service lowered ITV's credit rating to Ba1 and consequently ITV's credit rating is "sub-investment grade" with both major agencies. The combination of ITV's lower credit rating and the deterioration in credit conditions adversely impacts the availability and costs of future finance.

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 and takes into account the accessibility of cash and cash equivalents.

At 31 December 2008 the Group has available £650 million (2007: £530 million) of undrawn committed facilities. Of these £450 million are bank facilities, subject to covenants, which expire in June 2011 and £200 million relates to bank facilities which mature in May 2013 and have no financial covenants.

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 2008	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	(1,368)	(263)	(11)	(479)	(615)
Trade and other payables	(774)	(748)	(18)	(7)	(1)
Other non-current payables	(15)	–	(1)	(14)	–
Derivative financial liabilities					
Interest rate swaps	40	9	8	8	15
Forward foreign exchange contracts – cash flow hedges					
Outflows	(31)	(31)	–	–	–
Inflows	40	40	–	–	–
Forward foreign exchange contracts – fair value through profit or loss					
Outflows	(80)	(57)	(17)	(6)	–
Inflows	87	60	20	7	–
	(2,101)	(990)	(19)	(491)	(601)

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 – cash flow hedges					
Outflows	(63)	(33)	(30)	–	–
Inflows	68	36	32	–	–
Forward foreign exchange contracts – fair value through profit or loss					
Outflows	(54)	(35)	(12)	(7)	–
Inflows	54	35	12	7	–
	(1,996)	(720)	(317)	(346)	(613)

Capital management

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent company ("equity"). Equity comprises issued capital, reserves and retained earnings disclosed in note 30. The Group's objective when managing capital 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. The Group is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, increase net debt by issuing new debt or drawing down upon facilities or reduce net debt by issuing new shares or selling assets.

24 Analysis of borrowings

a) Ageing

	2008			2007		
	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	252	7	259	27	6	33
Non-current						
In more than one year but not more than two years	–	8	8	249	8	257
In more than two years but not more than five years	603	26	629	365	26	391
In more than five years	589	38	627	570	45	615
	1,192	72	1,264	1,184	79	1,263
Total	1,444	79	1,523	1,211	85	1,296

Loans repayable within one year

Loans repayable within one year as at 31 December 2008 include £1 million (2007: £4 million) of loan notes issued in connection with the purchase of Carlton Communications Limited Preference Shares with a coupon of sterling LIBOR minus 0.5%, and an unsecured £250 million Eurobond which has a coupon of 5.625% and matured on 2 March 2009. This was classified as loans payable after more than one year as at 31 December 2007. Loans repayable within one year as at 31 December 2007 included £21 million of loan notes issued in connection with the purchase of Friends Reunited with a coupon of sterling LIBOR minus 0.525%.

Loans repayable between two and five years

Loans repayable between two and five years as at 31 December 2008 include an unsecured €500 million Eurobond which has a coupon of 6.0% and matures in October 2011. The coupon on this bond stepped up from 4.75% to 6.0% with effect from October 2008 as a result of ITV's credit rating with Standard & Poor's being lowered to BB+ in August 2008. In July 2008 ITV issued an unsecured £110 million Eurobond which has a coupon of three months sterling LIBOR plus 2.7% and matures in March 2013.

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 stepped up to 7.375% with effect from January 2009 as a result of ITV's credit rating with Standard & Poor's being lowered to BB+ in August 2008.

Finance leases

Finance lease liabilities are payable as follows:

	2008			2007		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
In one year or less	11	4	7	10	4	6
In more than one year but not more than five years	45	11	34	47	13	34
In more than five years	40	2	38	50	5	45
	96	17	79	107	22	85

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 2008 was £11 million (2007: £14 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.

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 additional disclosure of fair value has been made as the carrying value is a reasonable approximation of the fair value.

24 Analysis of borrowings (continued)

Loans and loan notes

	Maturity	Basis of measurement	Book value		Fair value	
			2008 £m	2007 £m	2008 £m	2007 £m
£250 million Eurobond	Mar 09	Fair value	250	249	250	249
€500 million Eurobond	Oct 11	Amortised cost	493	365	391	358
£110 million Eurobond	Mar 13	Amortised cost	110	–	110	–
£325 million Eurobond	Oct 15	Amortised cost	323	322	211	300
£250 million Eurobond	Jan 17	Amortised cost	266	248	163	241
Other loans		Amortised cost	2	27	2	27
			1,444	1,211	1,127	1,175

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 the Group's accounting policy which prevents an accounting mismatch.

The book value of the 2011 €500 million Eurobond has increased in the year principally as a result of currency movements of £117 million which are hedged (see note 22). The book values of the 2011 €500 million Eurobond and the 2017 £250 million Eurobond have increased due to revisions in amortised cost of £12 million and £18 million respectively due to the effect of coupon step ups (see note 8).

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 2008	Loan and receivables £m	At fair value through profit or loss £m	Derivatives used for hedging £m	Available for sale £m	Total £m
Balance sheet assets					
Available for sale financial assets	–	–	–	5	5
Derivative financial instruments	–	208	10	–	218
Trade and other receivables	454	–	–	–	454
Cash and cash equivalents	583	–	–	33	616
	1,037	208	10	38	1,293

At 31 December 2008	At fair value through profit or loss £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Balance sheet liabilities				
Borrowings	250	–	1,273	1,523
Derivative financial instruments	31	1	–	32
	281	1	1,273	1,555

At 31 December 2007	Loan and receivables £m	At fair value through profit or 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	At fair value through profit or 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

25 Financial instruments

The following table shows the fair value of derivative financial instruments analysed by type of contract.

	2008		2007	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current portion:				
Interest rate swaps – fair value through profit or loss	2	(2)	–	–
Forward foreign exchange contracts – cash flow hedges	10	(1)	3	–
Forward foreign exchange contracts – fair value through profit or loss	7	(4)	1	(1)
	19	(7)	4	(1)
Non-current portion:				
Interest rate swaps – fair value through profit or loss	194	(25)	30	(9)
Forward foreign exchange contracts – cash flow hedges	–	–	2	–
Forward foreign exchange contracts – fair value through profit or loss	5	–	–	–
	199	(25)	32	(9)
	218	(32)	36	(10)

Interest rate swap asset valuations as at 31 December 2008 include £152 million in respect of cross currency interest rate swap hedges against the 2011 €500 million Eurobond. Under these swaps ITV receives cash flows in Euros which match both the original 4.75% coupon and redemption payments under the bonds and pays in sterling 6.22% semi-annually on a notional of £167.3 million and three month sterling LIBOR plus 1.14% on a notional of £167.3 million and at maturity of the bonds it pays £334.6 million. The remaining £44 million asset valuation relates to a number of floating rate swaps including a £125 million swap matched against half of the 2017 £250 million bond. Under this swap ITV receives 6.125% (to match the bond coupon) and pays three month sterling LIBOR plus 0.51% with three month sterling LIBOR capped at 5.25% for rates between 5.25% and 8.0%. ITV also has a £162.5 million swap matched against half of the 2015 £325 million bond. Under this swap ITV receives 5.375% (to match the bond coupon) and pays the higher of six month sterling LIBOR minus 0.2% or six month US\$ LIBOR minus 1.0%, set in arrears or in advance. In addition ITV has swaps totalling £162.5 million matched against the other half of the 2015 £325 million bond. Under these swaps ITV receives 5.375% (to match the bond coupon) and pays a weighted average of three month sterling LIBOR plus 1.45%.

Interest rate swap liability valuations of £27 million as at 31 December 2008 relate to various fixed rate swaps. ITV has a £162.5 million swap with a maturity of October 2015 under which it receives three month sterling LIBOR and pays 4.35%. The bank has the right to cancel the swap. ITV also has a £125 million swap with a maturity of January 2017 under which it receives three month sterling LIBOR and pays 4.36%. The bank has the right to cancel the swap.

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 sport and other programme rights and transponder costs.

26 Provisions

	Boxclever £m	Property £m	Contract provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2008	15	1	11	–	4	31
Additions in the year	–	1	50	18	1	70
Utilised in the year	–	–	(14)	(2)	(1)	(17)
At 31 December 2008	15	2	47	16	4	84

Of the provisions £43 million (2007: £27 million) are shown within current liabilities.

The Boxclever provision relates to potential liabilities that may arise as a result of Boxclever having been placed into administration, most of which relate to pension arrangements.

Property provisions are in place in respect of various vacant properties. Utilisation will be over the life of these leases.

Included within Contract provisions of £47 million are £44 million for onerous sports rights commitments and £3 million for closure costs at CSA.

Restructuring provisions of £16 million are in respect of regional news.

27 Assets held for sale

The movements in assets held for sale are summarised in the table below:

	2008 £m
At 1 January 2008	59
Impairment	(17)
Transfer to property, plant and equipment	(30)
Sale of property	(4)
Sale of joint ventures	(5)
At 31 December 2008	3

The Group is actively marketing its interest in Screenvision (Holdings) Europe Limited and as such has classified this joint venture investment as an asset held for sale carried at £nil. The investment being sold is not core to the Group's main activities and is disclosed in the Other segment.

An impairment charge of £17 million has been recognised on properties during the year including £14 million relating to the Manchester properties following consultation with an independent valuer. These properties have been reclassified into property, plant and equipment at a net book value of £30 million reflecting management's decision to cease actively marketing these properties. A further impairment has been recognised on a freehold property still classified as held for sale due to a fall in market rental yields. The property remaining as held for sale is being actively marketed as it is deemed to be surplus to future operating requirements and disposal is anticipated to be completed within one year.

The Group sold its interest in certain properties and joint ventures previously held for sale with a total net book value of £4 million and £5 million respectively during the year.

28 Acquisitions and disposals of businesses**Acquisitions and disposals in 2008****Silverback**

On 13 May 2008, the Group acquired 100% of the shares in Silverback AB, a Swedish based independent production company and programme formats business. The fair value of the initial consideration, including costs associated with the acquisition, is £5 million with an additional £3 million being treated as compensation contingent on the retention of key employees and the future performance of the acquired business. This represents the present value of the expected contingent consideration which may be up to £9 million dependent on the satisfaction of those conditional factors. The intangible assets recognised at fair value of £1 million represent formats. A deferred tax liability of less than £1 million was recognised in respect of these intangible assets. Goodwill of £5 million was also recognised representing the benefits of this acquisition to the Global Content segment.

Had the acquisition occurred on 1 January 2008, the estimated revenue for the Group would have been £1 million higher at £2,030 million, the increase in operating profit before amortisation and exceptional items would have been immaterial at less than £1 million.

Imago

On 29 September 2008, the Group acquired 51% of the shares in Imago TV Film und Fernsehproduktion GmbH, a Berlin-based production and original format creation business. The fair value of the initial consideration, including costs associated with the acquisition, is £2 million with an additional £2 million being treated as compensation contingent on the retention of key employees and the future performance of the acquired business. This represents the present value of the expected contingent consideration which may be up to £3 million dependent on the satisfaction of those conditional factors. There were no material intangible assets recognised. Goodwill of £1 million was also recognised representing the benefits of this acquisition to the Global Content segment.

Had the acquisition occurred on 1 January 2008, the estimated revenue for the Group would have been £3 million higher at £2,032 million and operating profit before amortisation and exceptional items £1 million higher at £212 million for the year ended 31 December 2008.

The Group also acquired a one way call option to acquire the remaining 49% of the shares in Imago. The option payment will become exercisable following the audit of Imago's year ended 31 December 2011 financial statements. The Group has valued the option at a fair value of £nil.

The acquired net assets of Silverback and Imago are set out in the table below:

	Book value before acquisition £m	Fair value adjustments £m	Fair value to ITV plc £m
Intangible assets	–	1	1
Cash and cash equivalents	1	–	1
Trade and other receivables	1	–	1
Trade and other payables	(2)	–	(2)
Net assets	–	1	1
Net assets acquired (after minority interest)			1
Goodwill on acquisition			6
Fair value of consideration			7

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 values 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 contracts 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% – 15%.

Disposals During the period the Group disposed of its interests in Arsenal Broadband Limited and Liverpool FC.tv Limited. The Group's 50% interest in Arsenal Broadband Limited was sold for a total cash consideration of £14 million and resulted in a gain on disposal of £12 million. The Group's 50% interest in Liverpool FC.tv Limited was sold for a total cash consideration of £16 million and resulted in a gain on disposal of £13 million.

28 Acquisitions and disposals of businesses (continued)

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 took 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 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 represented the benefit of the acquisition across the Group when combined with existing Group assets and businesses.

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. 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 were adjusted and an additional £1 million of goodwill was recognised in 2007.

Disposals

During 2007, 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.

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 v in the ITV plc company financial statements section of this annual report.

Employee benefit trust

The Group has investments in its own shares as a result of shares purchased by the ITV Employee Benefit Trust. As at 31 December 2008 the trust held the following shares:

	2008		2007	
	Number of shares	Market value £m	Number of shares	Market value £m
ITV Employee Benefit Trust	4,144,550	2	15,647,090	13

The nominal value of own shares held is £0.4 million (2007: £1.6 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 restricted shares under the Deferred Share Award Plan.

The total number of shares held by the trust at 31 December 2008 is 4,144,550 (2007: 15,647,090) ordinary shares representing 0.11% (2007: 0.40%) of ITV's issued share capital.

In accordance with the Trust Deed, the Trustees of the ITV Employee 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 trust to satisfy awards vesting under the Group's share schemes as follows:

Shares released from:	Number of shares released	Nominal value £	Scheme
ITV Employee Benefit Trust	7,626,685	762,668	Deferred Share Award Plan
	692,825	69,283	Carlton Sharesave Plan
	569,788	56,979	Granada Sharesave Plan
	2,461,832	246,183	Granada Commitment Plan
	151,410	15,141	ITV Employee Bonus Plan
	11,502,540	1,150,254	

30 Capital and reserves

	Attributable to equity shareholders of the parent company							Minority interest £m	Total equity £m
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	Total £m		
At 1 January 2007	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
Total recognised income and expense	–	–	–	20	2	(2,645)	(2,623)	2	(2,621)
Movements due to share-based compensation	–	–	–	–	–	12	12	–	12
Equity dividends	–	–	–	–	–	(96)	(96)	–	(96)
Transfer from merger reserve	–	–	(2,429)	–	–	2,429	–	–	–
At 31 December 2008	389	120	273	24	6	(286)	526	8	534

Merger and other reserves

Merger and other reserves at 31 December 2008 include merger reserves arising on the Granada/Carlton and previous mergers of £119 million (2007: £2,548 million), capital reserves of £112 million (2007: £112 million), capital redemption reserves of £36 million (2007: £36 million) and revaluation reserves of £6 million (2007: £6 million). A transfer of £2,429 million between retained earnings and merger reserve has been made in the year in respect of the impairment of goodwill which arose on the Granada/Carlton and other mergers.

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 £4 million related to cash flow hedges (2007: £5 million).

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

There are 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:

	2008 £m	2007 £m
Not later than one year	16	17
Later than one year and not later than five years	45	53
Later than five years	152	153
	213	223

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 (2007: £8 million).

The total operating lease expenditure recognised during the year was £19 million (2007: £19 million) and total sublease payments received totalled £4 million (2007: £3 million).

33 Capital and other commitments

There are £1 million of capital commitments at 31 December 2008 (31 December 2007: £1 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 2009 the Group paid £50 million in respect of the final payment of the earn-out relating to the Friends Reunited acquisition in 2005.

In February 2009 ITV increased its liquidity by £50 million under a new ten-year loan which is not subject to financial covenants. The interest cost under the loan is fixed at 8.85% for the first three years and thereafter is at a variable rate, subject to a cap of 15.6%. The lender has the right to loan ITV up to a further £150 million at any time.

On 2 March 2009 the Group repaid the £250 million Eurobond and drew down on a £125 million facility that matures in May 2013.

35 Related party transactions

Transactions with associated undertakings and joint ventures:

	2008 £m	2007 £m
Sales to joint ventures	–	2
Sales to associated undertakings	2	1
Purchases from joint ventures	1	–
Purchases from associated undertakings	42	40

The purchases from associated undertakings relate to purchase of news services from ITN.

	2008 £m	2007 £m
Amounts owed by joint ventures	27	33
Amounts owed by associated undertakings	7	5
Amounts owed to associated undertakings	–	1
Amounts owed by pension scheme	1	3

Amounts owed by joint ventures relate to loan balances with Screenvision (Holdings) Europe which have been fully provided for at the balance sheet date.

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:

	2008 £m	2007 £m
Short-term employee benefits	6	5
Post-employment benefits	–	1
Termination benefits	2	2
Share-based compensation	5	6
	13	14

Amounts paid to the Group's retirement benefit plans are set out in note 6.

Company balance sheet

At 31 December:	Note	2008 £m	2008 £m	2007 £m	2007 £m
Fixed assets:					
Investments in subsidiary undertakings	iii		1,699		1,816
Held to maturity investments			–		100
Derivative financial instruments			194		30
			1,893		1,946
Current assets:					
Amounts owed by subsidiary undertakings		78		74	
Prepayments and accrued income		1		1	
Cash at bank and in hand and short-term deposits		283		244	
		362		319	
Creditors – amounts falling due within one year:					
Borrowings	iv	(252)		(25)	
Amounts owed to subsidiary undertakings		(88)		(28)	
Accruals and deferred income		(33)		(28)	
Other creditors		(53)		(53)	
Dividends		(25)		(52)	
		(451)		(186)	
Net current (liabilities) / assets			(89)		133
Total assets less current liabilities			1,804		2,079
Creditors – amounts falling due after more than one year:					
Borrowings	iv		(1,192)		(1,186)
Derivative financial instruments			(25)		(2)
			(1,217)		(1,188)
Net assets			587		891
Capital and reserves:					
Called up share capital	v		389		389
Share premium	vi		120		120
Other reserves	vi		36		36
Profit and loss account	vi		42		346
Shareholders' funds – equity			587		891

The accounts were approved by the Board of Directors on 4 March 2009 and were signed on its behalf by:

John Cresswell

Ian Griffiths

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 the IFRS equivalent to that standard.

The financial statements have been prepared on a going concern basis notwithstanding net current liabilities of £89 million. The directors believe this to be appropriate based on the availability of funds from other group companies. This should enable the Company to meet its liabilities as they fall due for payment.

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

Four (2007: 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.

iii Investments in subsidiary undertakings

The principal subsidiary undertakings are listed in note ix. The movements during 2008 were as follows:

	£m
At 1 January 2008	1,816
Impairment	(117)
At 31 December 2008	1,699

iv Borrowings**Loans repayable within one year**

Loans repayable within one year as at 31 December 2008 include £1 million (2007: £4 million) of loan notes issued in connection with the purchase of Carlton Communications Limited Preference Shares with a coupon of sterling LIBOR minus 0.5%, and an unsecured £250 million Eurobond which has a coupon of 5.625% and matured on 2 March 2009. This was classified as loans payable after more than one year as at 31 December 2007.

Loans repayable within one year as at 31 December 2007 included £21 million of loan notes issued in connection with the purchase of Friends Reunited with a coupon of sterling LIBOR minus 0.525%.

Loan repayable after more than one year

Loans repayable after more than one year include an unsecured €500 million Eurobond which has a coupon of 6.0% and matures in October 2011. The coupon on this bond stepped up from 4.75% to 6.0% with effect from October 2008 as a result of ITV's credit rating with Standard & Poor's being lowered to BB+ in August 2008. In July 2008 ITV issued an unsecured £110 million Eurobond which has a coupon of 3 months sterling LIBOR plus 2.7% and matures in March 2013. An unsecured £325 million Eurobond has a coupon of 5.375% and matures in October 2015, and an unsecured £250 million Eurobond has a coupon of 6.125% and matures in January 2017. The coupon on this bond stepped up to 7.375% with effect from January 2009 as a result of ITV's credit rating with Standard & Poor's having been lowered to BB+ in August 2008. Further information relating to these bonds is given in note 24 of the consolidated financial statements.

v Called up share capital

	Authorised		Allotted, issued and fully paid	
	2008 £m	2007 £m	2008 £m	2007 £m
Ordinary shares of 10 pence each				
Authorised:				
5,826,377,627 (2007: 5,826,377,627)	583	583		
Allotted, issued and fully paid:				
3,889,129,751 (2007: 3,889,129,751)			389	389
Total	583	583	389	389

The Company's ordinary shares give the shareholder equal rights to vote, receive dividends and to the 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 2008	389	120	36	346	891
Retained loss for year for equity shareholders	–	–	–	(314)	(314)
Share-based compensation	–	–	–	10	10
At 31 December 2008	389	120	36	42	587

The loss after tax for the year dealt with in the accounts of ITV plc is £218 million (year ended 31 December 2007: profit of £131 million) before dividends declared of £96 million (2007: £122 million).

vii Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2008 of £13 million (31 December 2007: £28 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.

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 2008 (31 December 2007: none).

ix Principal subsidiary undertakings and investments**Principal subsidiary undertakings**

The principal subsidiary undertakings of the Company at 31 December 2008, 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 Studios Limited (formerly 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 ⁽²⁾	Production of television programmes
3sixtymedia Limited (80% owned)	Supplier of facilities for television productions
Carlton Communications Limited	Holding company
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
ITV Global Entertainment Limited (formerly Granada International Media Limited)	Rights ownership and distribution of television programmes and films
ITV Global Entertainment, Inc ⁽³⁾ (formerly Granada International Media, Inc)	Distribution of television programmes
Granada Productions Pty Limited ⁽⁴⁾	Production of television programmes
Granada Entertainment USA ⁽⁵⁾	Production of television programmes
Granada Produktion für Film und Fernsehen GmbH ⁽⁶⁾	Production of television programmes
Granada Ventures Limited	Production and distribution of video and DVD products
Imago TV Film und Fernsehproduktion GmbH (51.2% owned) ⁽⁶⁾	Production of television programmes
Jaffe/Braunstein Entertainment LLC (51% owned) ⁽³⁾	Production of television programmes
SDN Limited	Operation of Freeview Multiplex A
Silverback AB ⁽⁷⁾	Production and distribution of television programmes

(1) Interest in company limited by guarantee.

(2) A partnership.

(3) Incorporated and registered in the USA.

(4) Incorporated and registered in the Australia.

(5) Registered in the USA.

(6) Incorporated and registered in Germany.

(7) Incorporated and registered in Sweden.

A list of all subsidiary undertakings will be included in the Company's annual return to Companies House.

ix Principal subsidiary undertakings and investments (continued)**Principal joint ventures, associated undertakings and investments**

The Company indirectly held at 31 December 2008 the following holdings in significant joint ventures, associated undertakings and investments:

Name	Note	Interest in ordinary share capital 2008 %	Interest in ordinary share capital 2007 %	Principal activity
The Ambassador Theatre Group Limited	c	7.34	7.34	Operation of theatres and production of theatrical productions
Freesat (UK) Limited	b	50.00	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
Mammoth Screen Limited	a	25.00	25.00	Production of television programmes
Screenvision Holdings (Europe) Limited***	b	50.00	50.00	European cinema advertising
stv group plc (formerly SMG plc) *†	c	7.36	5.60	Television broadcasting in central and north Scotland
Technicolor Cinema Advertising LLC**	b	50.00	50.00	US cinema advertising
Crackit Productions Limited	a	25.00	–	Production of television programmes
Electric Farm Entertainment LLC**	c	10.00	–	Digital studio company

* Incorporated and registered in Scotland.

** Incorporated and registered in USA.

*** Classified as an Asset Held for Sale in 2008.

a Associated undertaking.

b Joint venture.

c Available for sale investment.

† The Company did not participate in stv group plc's tender offer during the year and as a result its percentage holding in stv group plc's issued share capital has increased.

x Post balance sheet events

In January 2009 the Company paid £50 million in respect of the final payment of the earn-out relating to the Friends Reunited acquisition in 2005.

In February 2009 ITV increased its liquidity by £50 million under a new ten-year loan which is not subject to financial covenants. The interest cost under the loan is fixed at 8.85% for the first three years and thereafter is at a variable rate, subject to a cap of 15.6%. The lender has the right to loan ITV up to a further £150 million at any time.

On 2 March 2009 the Group repaid the £250 million Eurobond and drew down on a £125 million facility that matures in May 2013.

Corporate governance

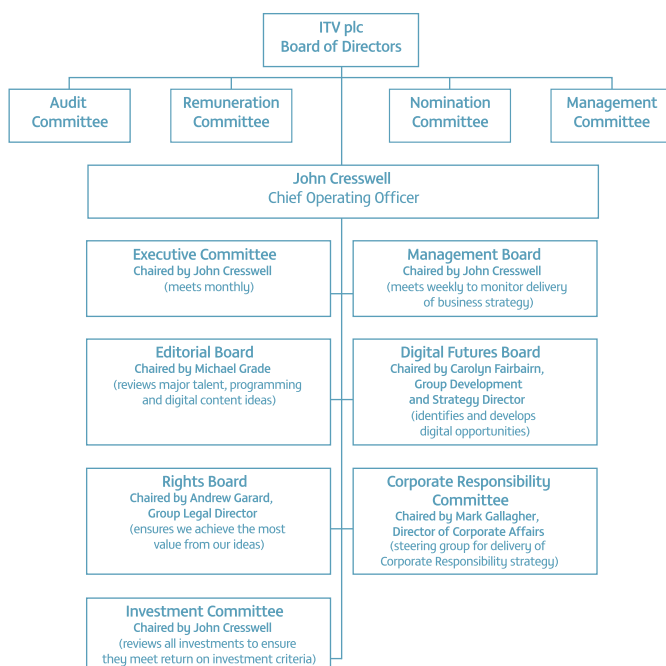
The Board of ITV plc is committed to business integrity and high ethical values across the Group's operations. As an essential part of this commitment, the Board supports high standards of corporate governance and has a policy of seeking to comply with the recommendations of the Combined Code and voting 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 having 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. The following balancing controls are in place to ensure high standards of corporate governance are maintained:

- John Cresswell is Chief Operating Officer and the executive team report directly to him as shown below.
- 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. A Chief Executive will be appointed at that time.



The Board

Composition: The Board currently comprises four executive members (the Executive Chairman, the Chief Operating Officer, the Group Finance Director, and Managing Director, ITV Brand and Commercial) and eight independent non-executive directors. Biographical details for each of the directors are set out on pages 40 and 41.

The composition of the Board during 2008 is set out in the Directors' report.

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: John Cresswell is Chief Operating Officer 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 is the senior independent director. 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 non-executive directors and 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 40. 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 (AGM) 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 AGM on 14 May 2009 are set out in the Directors' report. The reasons why the Board believes they should be re-elected are set out in the explanatory notes to the notice of the AGM.

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 2008 can be found in the Remuneration report.

Non-executive directors

The non-executive directors constructively challenge and help develop proposals on strategy. They bring strong, independent judgement, 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 formally without the executive directors present in 2008 and plan to do so again regularly in 2009.

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 below) 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.

Mike Clasper completed three years as a non-executive director in January 2009. It was agreed that he should serve a further term subject to the Board succession planning framework.

Time commitment: The time commitment expected of the non-executive directors is 18 to 20 days per annum, which has increased following a review by the Nomination Committee in February 2009. It includes attendance at Board meetings, Board committee meetings, the AGM, 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.

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 to 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 nine times in 2009 (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 2008, the Board focused on the following areas of strategic importance to the Company, amongst others:

- delivering the business strategy in the rapidly changing economic climate;
- the Company's preparations for digital switchover, including the provision of High Definition services, and the launch of the free-to-view satellite proposition, Freesat, a joint venture with the BBC;
- refining and implementing the Enterprise-wide Risk Management process begun in 2007;
- development of the Online businesses, including reviewing editorial policy and how to leverage their success;
- the review of the Contract Rights Renewal (CRR) undertakings by Ofcom and the Office of Fair Trading; and
- responding to Ofcom's second Public Service Broadcasting review.

Attendance: Attendance of directors at board and strategy meetings and the AGM during 2008 is set out below. Board members receive all papers tabled at meetings even if they are unable to attend.

	1	2	3	4	4 (AGM)	5	6	7	8	Strategyl day	Strategyl dinner
Michael Grade											
Sir George Russell											
Dawn Airey ⁽¹⁾	n/a	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mike Clasper											
John Cresswell											
Sir James Crosby											
Ian Griffiths ⁽²⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a			n/a	
Andy Haste ⁽³⁾	n/a	n/a	n/a	n/a	n/a	n/a				n/a	
Rupert Howell ⁽⁴⁾	n/a	n/a									
Heather Killen											
John Ormerod											
Sir Brian Pitman ⁽⁵⁾							n/a	n/a	n/a	n/a	n/a
Baroness Usha Prashar											
Agnès Touraine											

(1) Appointed to the Board on 28 February 2008, resigned on 29 April 2008.

(2) Appointed to the Board on 9 September 2008.

(3) Appointed to the Board on 11 August 2008.

(4) Appointed to the Board on 28 February 2008.

(5) Resigned from the Board on 15 May 2008.

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 on these Committees is provided below. During 2008 the Board also established a Budget Committee to scrutinise the 2009 and 2010 budgets. The Committee is comprised of Michael Grade, John Cresswell, Ian Griffiths, Mike Clasper, Heather Killen, John Ormerod, and Sir George Russell.

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.

Conflicts of Interest

The Companies Act 2006 (CA 2006) provisions relating to the duty of a director to avoid a situation in which they have or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company came into effect on 1 October 2008. This duty is in addition to the existing duty that a director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company. The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts where the Articles of Association contain a provision to that effect. At the AGM held on 15 May 2008 shareholders approved amendments to the Company's Articles of Association which included provisions giving the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the position that existed before 1 October 2008.

The Board has delegated the authorisation of conflicts to the Nomination Committee and adopted a Conflict of Interest policy. The policy outlines how conflicts will be dealt with and the process for directors to follow when notifying the Company of an actual or potential conflict. When deciding whether to authorise a conflict or potential conflict of interest, only those that have no interest in the matter under consideration will be able to take the relevant decision. In addition, the Nomination Committee will be able to impose limits or conditions when giving authorisation where appropriate.

The Board has considered in detail the current external appointments of the directors which may give rise to a situational conflict and has authorised potential conflicts where appropriate. This authorisation can be reviewed at any time but will always be subject to annual review.

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 2007 evaluation included:

- scheduling meetings to allow more time for the directors to meet informally, including without the executive directors present;
- presentations to the Board on the competitive marketplace and developing trends and technologies;
- formal performance and development reviews of senior management presented to the Board on a regular basis; and
- implementing an escalation procedure in the Enterprise-wide Risk Management process.

An internal evaluation of the effectiveness of the Board and its committees, individual directors and the Executive Chairman was carried out in 2008, led by the senior independent director.

The evaluation process included a written questionnaire and an interview with each director. 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.

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:

- to simplify board reporting;
- to encourage non-executive directors to input additional items into the Board programme for the year; and
- to offer non-executive directors more opportunities to attend industry conferences.

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, brokers 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:

- 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.

The directors are also expected to take responsibility for identifying their own professional development needs and to ensure that they are adequately informed about the Company and their responsibilities as directors.

Internal control

The Combined Code requires the Board to review, at least annually, all material internal controls including financial, operational, and 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. The Board has conducted a review of the effectiveness of the Group's systems of internal controls for the year ended 31 December 2008.

Relations with shareholders

The Board attaches a high priority to effective communications with shareholders. In addition to the preliminary and interim results presentations and the AGM, a series of meetings between institutional shareholders, the Executive Chairman, the senior independent director, Chief Operating Officer and the Group 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.

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 both following the Company's announcements and in response to individual ad hoc requests. The Company also makes available for meetings with institutional shareholders other members of senior management.

Save in exceptional circumstances, all members of the Board will attend the AGM 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 AGM, together with any related

documents, is made available to shareholders on the Company's website or mailed to them, if they have elected to receive hard copies, about seven weeks before the meeting. 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 information service and on the Company website at www.itvplc.com the following day.

An independent Investor Audit was undertaken during 2007 to assess investor and wider market perception of the Company and therefore it was not deemed necessary to undertake an independent audit during 2008. The Company will consider commissioning another independent Investor Audit during 2009.

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	Years on Board	Nomination	Remuneration	Audit	Management
Michael Grade	Executive	2				
Sir George Russell	Independent	5				
Mike Clasper	Independent	3			Chairman	
John Cresswell	Executive	3				
Sir James Crosby	Independent	5	Chairman			
Ian Griffiths	Executive	-				
Andy Haste	Independent	-				
Rupert Howell	Executive	1				
Heather Killen	Independent	1				
John Ormerod	Independent	1				
Baroness Usha Prashar	Independent	4		Chairman		
Agnès Touraine	Independent	1				

Audit Committee

Composition and attendance: During 2008 the Audit Committee comprised:

	Appointed	Resigned
Mike Clasper (Chairman)		
John McGrath		17 January 2008
John Ormerod	18 January 2008	
Sir George Russell		
Agnès Touraine		

John McGrath resigned from the Board on 17 January 2008 and Mike Clasper replaced him as Chairman of the Audit Committee.

Attendance during 2008:

	1	2	3	4	5
Mike Clasper					
John Ormerod					
Sir George Russell					
Agnès Touraine					

Non-attendance has been due to illness or unavoidable prior commitments.

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 2008, and concluded that the appointment of John Ormerod had strengthened the Committee's ability to meet this requirement, and 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. Biographical details of the members of the Committee including their qualifications are set out on pages 40 and 41.

Terms of reference: The Committee's main roles 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 2008: Please see the Audit Committee report.

Remuneration Committee

Composition and attendance: During 2008 the Remuneration Committee comprised:

	Appointed	Resigned
Baroness Usha Prashar (Chairman)		
Sir James Crosby		
Andy Haste	1 December 2008	
Heather Killen		
Sir Brian Pitman		15 May 2008

Attendance during 2008:

	1	2	3	4	5	6
Baroness Usha Prashar						
Sir James Crosby						
Andy Haste	n/a	n/a	n/a	n/a	n/a	n/a
Heather Killen						
Sir Brian Pitman			n/a	n/a	n/a	n/a

Non-attendance has been due to illness or unavoidable prior commitments.

Terms of reference: The Committee's main roles 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 2008: Please see the Remuneration report.

Nomination Committee

Composition and attendance: During 2008 the Nomination Committee comprised:

	Appointed	Resigned
Sir James Crosby (Chairman)		
Mike Clasper		
Andy Haste	11 August 2008	
Heather Killen	4 February 2008	
John Ormerod	4 February 2008	
Sir Brian Pitman	5 February 2008	15 May 2008
Baroness Usha Prashar		
Sir George Russell		
Agnès Touraine	4 February 2008	

Following a recommendation arising from the 2007 Board Evaluation process, membership of the Committee was expanded during the year to include all non-executive directors.

Attendance during 2008:

	1	2
Sir James Crosby		
Mike Clasper		
Andy Haste	n/a	n/a
Heather Killen		
John Ormerod		
Sir Brian Pitman	n/a	
Baroness Usha Prashar		
Sir George Russell		
Agnès Touraine		

Terms of reference: The Committee's main roles and responsibilities include to:

- review the structure, size and composition of the Board at least annually;
- identify and nominate for board approval, candidates to fill board vacancies;
- evaluate the balance of skills, knowledge and experience on the Board at least annually;
- consider succession planning for directors and other senior executives at least annually; and
- consider any conflicts of interest that may be reported by directors of the Company.

The full terms of reference for the Committee are available at www.itvplc.com.

Activities in 2008: During the year the Committee continued its work on succession planning for the board. The objectives of the succession planning 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 directors and from each other.

Implementing these objectives involves a continuous process of refreshment of the Board with new appointments and with rotation of membership of board committees. With these objectives in mind, the Committee led the search for a new non-executive director, Andy Haste, who was appointed to the Board during the year. The Committee also led the search for a new Group Finance Director, Ian Griffiths, who was appointed to the Board during the year. The searches were conducted with the help of a professional search firm. Non-executive 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 to ensure an appropriate framework is in place.

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 full terms of reference for the Committee are available at www.itvplc.com.

Contacts for corporate governance

Executive Chairman	Michael Grade
Senior independent director	Sir James Crosby
Chief Operating Officer	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;
- Conflicts of Interest policy;
- 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.

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.

In view of Mike Clasper's role as Chairman of HMRC, discussions relating to the Company's tax position are chaired by John Ormerod.

Full details on membership of the Committee throughout 2008, and details of attendance at Committee meetings, can be found in the Corporate Governance section.

At the invitation of the Chairman of the Committee, the Chief Operating Officer, Group Finance Director, Deputy Group Finance Director, the Director of Internal Audit and representatives of senior management regularly attend Audit Committee meetings. The Committee as a whole has the opportunity to meet privately with the internal and external auditors prior to each meeting and did so before each meeting held in 2008.

Activities in 2008

The Committee met five times 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;
- 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 2007 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. This is explained further in the section on Auditor's independence and objectivity below;
- 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, encompassing financial, reputational, and broader macro-economic risks, 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 Enterprise-wide Risk Management 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 effectiveness of procedural changes implemented following the review of premium rate services in 2007;
- monitoring the implementation of a new integrated finance, procurement and HR system;
- conducting post-acquisition reviews of businesses acquired in 2007 and 2008;
- reviewing the analysis supporting the impairment of goodwill before consideration by the Board;
- reviewing the Group's cash flow forecasts and facilities to support the going concern statement in the annual report before consideration by the Board. The going concern statement is contained in the Business Review on page 36.
- regularly reviewing the effectiveness of the whistleblowing process through which the employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- 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, which is available in full at www.itvplc.com. The policy is based on the five key principles which underpin the provision of other services by 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, develop a close personal relationship with the employees of 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 including the Guidance on Audit Committees issued by the Financial Reporting Council in October 2008. Committee approval is required for any engagement of the external auditors where the fee is likely to be in excess of £0.1 million. Details of the related audit and other services are set out in note 4 of the consolidated financial statements.

The Committee 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. It is the Company's policy to carry out regular market testing either through benchmarking or a form of audit tender.

During the year the Committee considered the tenure, performance and audit fees of the external auditor, and the level of non-audit work undertaken, and recommended to the Board that a resolution for the re-appointment of KPMG Audit Plc for a further year as the Company's auditors be proposed to shareholders at the AGM in May 2008. The resolution was passed and KPMG Audit Plc were re-appointed for a further year.

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.
- **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 is responsible for identifying the risks facing the Company's business and for establishing controls and procedures to monitor and mitigate those risks. As part of those controls and procedures, the Company has established an Enterprise-wide Risk Management (ERM) programme providing formal risk assessments. The ERM programme is co-ordinated through the Company's Risk department and the Internal Audit department provides the assurance role reporting to the Executive Committee, Audit Committee and the Board.

The ERM programme is being embedded within operational processes and will help to identify new business opportunities as well as provide risk analysis for all new projects and businesses. The annual ERM programme cycle passes through a number of phases as it escalates through the business. The Audit Committee receive presentations from the executive team covering the risks of the operating units. Following such presentations and review, the executive team carry out a further risk consolidation process and then present the Company's overall major risks to the Board for consideration of the top risks which are then disclosed in summary form within the published Annual Report and Accounts.

- **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. The Committee members are subject to the programme of continuing professional development that applies to the full board. The programme will be supplemented in 2009 with presentations by the external auditors at Committee meetings focusing on governance, legal and accounting developments.

Approval

This report was approved by the Board of Directors on 4 March 2009 and signed on its behalf by:

Mike Clasper
Chairman, Audit Committee

Role of the Remuneration Committee

The role of the Remuneration Committee ("Committee") is to review and approve the remuneration strategy and policy for the Executive Chairman, executive directors and senior executives of the Company (together the "Senior Executive Group"). The Committee also has responsibility for the Company's performance related pay schemes and share incentive plans, and the level of awards made under them as they apply to the Senior Executive Group. Further details regarding the role and responsibilities of the Committee can be found in the Corporate Governance section. Further details regarding the activities of the Committee during the year are shown below.

The Committee also maintains an active dialogue with shareholder representatives and its full terms of reference are available on the Company's website at www.itvplc.com.

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
- Andy Haste
- Heather Killen

Full details on membership of the Committee throughout 2008, and details of attendance at Committee meetings, can be found in the Corporate Governance section.

Advisers

The Committee has appointed Deloitte 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. 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 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.

Activities in 2008

During 2008, the Committee met six times, and discharged its responsibilities which included:

- reviewing the total remuneration packages of the Senior Executive Group and their suitability within ITV's commercial environment;
- reviewing the base salaries of the Senior Executive Group as part of the annual company salary review;
- agreeing annual bonus targets for the Senior Executive Group in relation to the year ahead;
- reviewing performance against bonus targets set for the previous year, and agreeing both the annual incentive awards for the Senior Executive Group and the outcome of the all employee bonus scheme;
- agreeing the operation of the all employee Turnaround Incentive Opportunity;
- agreeing an appropriate long term incentive strategy to operate following the Turnaround Plan performance period;
- agreeing remuneration packages for new members of the Senior Executive Group and termination arrangements for those leaving; and
- approving the Remuneration report.

Responding to challenges in the current market

In light of the complex and challenging market in which ITV currently operates, the Committee has been pro-active in reviewing and taking decisions on directors' remuneration arrangements during the year. The Committee has endeavoured to ensure that arrangements remain focused, relevant and aligned with the needs of the business to support the delivery of value to shareholders over the short, medium and long term.

In this context the Committee has made a number of decisions with regard to remuneration arrangements, resulting in restraint and moderation in the current environment. These include:

- setting base salaries. The executive directors have not been awarded any increase at 1 January 2009 as a result of the salary review. This means that the salaries of Michael Grade and John Cresswell remain at the level they were in January 2007, and Ian Griffiths and Rupert Howell did not receive any increase on their 2008 salaries;
- reviewing reported financial performance of the Group in 2008, and exercising its discretion, to scale back bonus payments to the executive directors which had been earned against performance targets set at the start of 2008, so that the payment for the achievement of non financial measures was limited;
- resolving that bonus payments made to executive directors in respect of 2008 will be made wholly in shares and subject to the normal deferral requirements under the Deferred Share Award Plan ("DSA"), to improve the alignment of executives' interests with those of shareholders;
- calibrating the performance targets for the 2009 bonus framework at realistic but stretching levels, as well as incorporating a number of features that align with shareholders' interests. In particular, bonus entitlements in relation to any performance target may be scaled back based on the overall level of profit reported by the Group, and no payment will be made unless a threshold level of profit is achieved in 2009;
- confirming that any bonus payments made in respect of 2009 are likely to be made as awards of shares under the DSA for all participants, subject to the normal deferral requirements;
- undertaking a period of consultation with shareholders with regard to the intended operation of the Performance Share Plan ("PSP") in 2009. The Committee has proposed a number of further changes to the initial framework in response to shareholder views. For 2009, these changes include a reduction in the level of awards (by one third) and a reduction in the initial level of vesting (so that vesting for achieving median relative TSR is reduced from 35% of the maximum to nil); and
- introducing Shareholding Guidelines (see below).

Remuneration policy

The Board is committed to operating the most appropriate remuneration policy for the Company. In doing this the Committee has designed a remuneration policy which is intended to fully support the Company's commercial objectives while taking into account prevailing best practice and investor expectations.

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;
- performance is measured over clearly specified time horizons over the short, medium and long term;
- 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; and

- 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 one off long term incentive specifically linked to achievement of the business strategy during the period up to 2011.

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 remuneration, employee relations and human resource issues. Updates on the external executive remuneration environment are provided by Deloitte.

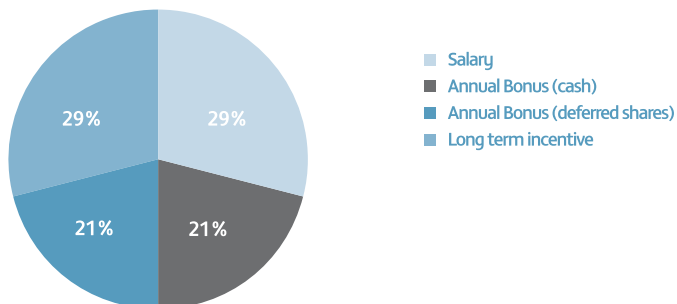
The Company's remuneration policy has evolved over time to respond to commercial pressures, changing market practice and shareholder expectations. Investors are consulted about any key issues that arise and are provided with the opportunity to endorse the Company's remuneration policy on a regular basis through the vote on the Remuneration report at the Annual General Meeting.

Components of reward

The reward package for the Senior Executive Group consists of a combination of fixed and variable elements intended to provide motivation and reward for short, medium and long term performance and to retain key executives over the longer term. Each component is intended to fulfil a different function within the remuneration framework.

The balance between the fixed and variable elements of the total remuneration package 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 in a typical year between delivery through cash and shares over the short and longer term.

Fixed vs variable pay at maximum performance



The illustration is based on the assumption that performance targets are satisfied at maximum levels. Broadly there is a 30:70 split between fixed and variable pay at this level, showing the high proportion of performance related pay in the total reward package.

Salary and approach to competitive positioning

Market positioning of salary and other elements of reward is approached on an individual basis. In making salary decisions, the Committee takes account of robust salary surveys and an individual's skills before reaching its conclusions. The aim is for base salary to be set around market median, whilst recognising the need on occasion for an appropriate premium for superior talent. The Board is of the view that a high calibre Senior Executive Group is critical to developing and delivering the business strategy and to delivering long term value.

In line with the majority of employees, base salaries are reviewed on an annual basis, effective from 1 January. In January 2009, the Company concluded its annual pay review and a decision was taken to focus any increase in salary spend on the lower salary levels within the organisation. Salaries for the executive directors remained constant as a result of the January 2009 salary review.

Short term and deferral incentives

Annual incentives are provided for the Senior Executive Group through the Annual Incentive Opportunity ("Bonus"). The total opportunity for executive directors will not normally exceed 150% of a participant's annual salary.

Typically half of any pre-tax Bonus entitlement will automatically be deferred into shares or nil-cost options 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.

To ensure a greater alignment with shareholders' interests, executive directors' Bonus entitlements in respect of 2008 performance will be awarded fully in deferred shares under the DSA. In addition, for all Bonus payments that may be paid for 2009, it is anticipated (subject to the discretion of the Committee) that all participants will receive their Bonus awarded fully in shares under the DSA subject to the normal deferral requirements.

As part of the terms of his appointment, Ian Griffiths received a one off award under the DSA in October 2008. This award was made in the form of deferred shares with a face value of £75,000 and will vest fully on 31 December 2009. In accordance with the terms of the award, vesting is conditional on Ian Griffiths remaining an employee of the Company, and not having served notice prior to 31 December 2009.

2008 performance Bonuses made to the Senior Executive Group in respect of 2008 performance were dependent on performance against 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 of the business and are aligned with the business strategy. Full details of the key business drivers can be found in the Business review.

The level of Bonus is also dependent on specific business and individual targets, which are all closely related to shareholder value creation. Given the importance of improving performance through cultural change, an element of the Bonus also depends on an improvement in culture.

In the context of the current challenging economic environment, the Committee has exercised its discretion to scale back the Bonus payments for the executive directors, which had been earned against performance targets set at the start of 2008, so that the payment for the achievement of non financial measures was limited.

2009 performance The performance targets for 2009 have been reviewed to ensure that they are predominantly weighted to corporate financial performance. A significant portion of any award that may be made for 2009 performance will be dependent on profit, cost savings and the efficient management of cash, all being measures that strongly support the delivery of improved returns to shareholders in 2009.

A number of features have been introduced with shareholders' interests in mind – in particular all Bonus entitlements in relation to any performance target may be scaled back based on the overall level of profit reported by the Group, and no payment will be made under any Bonus arrangement at all unless a threshold level of profit is achieved in 2009.

The Bonus framework extends to a senior management population of around 130 individuals, including the Senior Executive Group. The performance measures that apply across this group are considered on an individual and team basis and are fully integrated with the corporate, financial and strategic measures that apply to the Senior Executive Group. 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.

Long term incentive arrangements – new proposals

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.

Currently, the Turnaround Plan ("Plan") provides the main long term incentive opportunity by supporting the business strategy up until its conclusion in 2011. When the Plan was introduced, the Company made a commitment that awards would not be made under ITV's other long term incentive plans in 2007 or 2008, and to review the operation of these long term plans from 2009. The performance period under the Plan will come to an end on 31 December 2011, and the Committee recognises that there is a need to establish effective incentives during 2009 in order to motivate sustained performance beyond then.

The Committee believes that the most appropriate framework will be a rolling programme of awards under a single long term incentive programme. The existing Performance Share Plan ("PSP") provides a suitable vehicle, and it has been developed for use as the main

long term incentive going forward, for ITV's senior management population of around 130 individuals, including the Senior Executive Group. This being the case, it is not currently intended that any further awards will be made under the Commitment Scheme.

The basis on which awards will be made under the PSP in 2009 is set out below, with the details of outstanding awards made under the PSP in previous years in the PSP table below.

Although the PSP has already received formal shareholder approval, the Committee has consulted widely with the Company's largest institutional shareholders, and their views are reflected in the final proposals.

2009 PSP awards For 2009, it is proposed that the face value of awards under the PSP will be reduced to a maximum of 100% of salary (being a reduction of one third from the previous maximum award levels of 150% of salary). In addition, the level of vesting for achieving median performance in relation to the Total Shareholder Return ("TSR") comparator groups will be reduced from 35% to nil.

The decision to reduce the face value of award levels has been taken for 2009 in response to investor concerns, in the context of the current economic climate, regarding incentive awards with a face value set by reference to a multiple of base salary during a period when the share price may be artificially depressed. The proposed reduction in award level is therefore intended to moderate the overall cost of these incentives to the Company's shareholders.

The Committee's decision to decrease the initial level of vesting in respect of the TSR condition demonstrates the Company's policy of delivering significant reward only for significant out performance relative to the market, as well as management's confidence in the business and their commitment to deliver superior performance.

The combined effect of these two changes on participants is to significantly reduce the overall expected value of PSP awards made in 2009 by around 40% when compared with previous awards made under the PSP.

These changes are proposed in respect of the awards to be made in late May 2009. Otherwise the key terms of the PSP remain in keeping with those previously approved by the shareholders in 2004.

Performance measures for 2009 PSP awards made in 2009 will be subject to performance criteria over a three year period with 75% subject to TSR performance, and 25% subject to two equally weighted business specific performance measures.

The portion of the award subject to TSR will be measured equally against two distinct comparator groups – the constituents of the FTSE 250 index (excluding companies from the following industries: basic materials, financial services, oil and gas and industrials), and an industry sector specific group of 23 companies as detailed below.

British Sky Broadcasting Group	Scripps Networks
Canal Plus	Telecinco
CBS	Tf1 (Tv.Fse.1)
Daily Mail & General Trust	Time Warner
M6-Metropole TV	Trinity Mirror
Mediaset	Viacom Digital
Modern Times Group	Virgin Media
News Corporation	Vivendi
Pearson	WPP Group
Premier AG	Yell Group
Proseiben Sat 1 Pf.	Zon Multimedia
RTL Group	

The Committee has determined that it was appropriate that no portion of the award will vest at median, representing a significant reduction from the 35% vesting level for outstanding awards under the PSP, and that 100% will vest at upper quartile. Vesting will occur on a straight line basis in between. There will be no vesting for performance below median. TSR will be measured over a three year period from the date of grant.

The remaining 25% of the award will be measured in equal proportions against two business specific performance measures, which for awards made in 2009 are detailed in the table below.

In setting the targets below, the Committee has assessed the current complex and challenging markets. The performance levels are considered to provide realistic but stretching goals against measures that provide a balance between efficiency, the health of the business and operating performance.

Strategic target	Threshold	Maximum
SOCI (ITV Family)	36.6%	38.5%
EPS Growth	RPI +3%	RPI +5%

The level of vesting for the achievement of threshold performance will be 25% of the relevant proportion of the award, rising on a pro-rata basis to 100% vesting for the relevant proportion if the maximum target is achieved.

Growth in underlying earnings per share will be measured over the three year period, 2009-2011, with EPS for the 2008 financial year as the base year from which growth over the three years will be measured.

SOCI will be measured over a performance period aligned with the TSR performance period and measured over the three year period from the date of grant.

Leaver provisions Standard good leaver provisions will apply to these awards (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 in full, irrespective of performance. If a participant ceases to be employed for any other reason, the award will lapse unless the Committee determines otherwise.

Change of control If a change of control occurs, awards will become exercisable based upon the Company's performance such that if the change of control occurs before the second anniversary of the award, performance will be measured wholly against TSR. If it occurs after this date it will be measured against TSR and progress towards achievement of strategic targets will be considered. In addition, the number of ITV shares that vest will be capped at one third of the number subject to the award if the change of control occurs before the first anniversary of the date of the award, two thirds after the first anniversary and 100% from the second anniversary. The ITV shares that vest will then be capable of exercise for one month from the date the change of control becomes effective.

Shareholding guidelines

The Committee recognises the importance of executive directors aligning their interests with shareholders through the commitment of a significant amount of their own investment capital. Accordingly shareholding guidelines have been introduced from 2009 to encourage the executive directors to build up and hold ITV plc shares with a value equivalent to at least 100% of their salary (certain other executives will be encouraged to hold 75%). Details of the executive directors' current personal shareholdings are shown in the Directors' report.

Long term incentive arrangements – existing arrangements

The following sections describe those plans under which awards have been made to date, and are still outstanding. Given the long term incentive plan described above, there is no intention to make further awards under these existing arrangements.

Turnaround Plan ("Plan") The Plan was introduced in 2007 for use as the primary long term incentive supporting the business strategy by incentivising senior executives through alignment with the key indicators of shareholder value creation over the period to 2012 (being the completion of the digital switchover process).

Since the Plan was adopted, an award in the form of nil-cost options has been made to a number of key senior executives 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 are 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 is 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 (25% of the total award) may vest at 31 December 2009 if the TSR condition is satisfied at that time. Any portion of the award that does not vest at that point will lapse. The balance of the award will be tested at 31 December 2011.

Individuals who received an award under the Plan did not receive an award under the Company's other long term incentive plans in 2007 or 2008.

Turnaround Incentive Award for the Executive Chairman

In accordance with his terms of appointment, an award was granted to the Executive Chairman in 2007 as a long term incentive based on the same five year horizon as for the Plan detailed above. The award was granted in the form of a nil-cost option with a value equivalent to 150% of initial salary per annum over the five year performance period. As a condition of the award he is required to hold shares with a value of 100% of his salary 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 TSR (25% of the total award) may vest at 31 December 2009 if the TSR condition is satisfied at that time. Any portion of the award that does not vest at that point will remain in effect and be retested with the balance of the award at 31 December 2011.

The Executive Chairman did not receive any award under the Company's other long term incentive plans in 2007 or 2008.

Performance conditions for the Turnaround Plan and the Turnaround Incentive Award The performance conditions were agreed following consultation with our biggest 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 business strategy.

TSR 50% of an award is subject to TSR performance measured against a 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 in the notes to the Turnaround Plan table below.

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
SOCI (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 Plan, as approved by shareholders in 2007, contains a provision giving the Committee discretion over the performance criteria. If the Committee exercises its judgement on these matters and makes an adjustment to the targets or the vesting outcome which is considered material, the Committee will inform shareholders of the factors they considered in subsequent Remuneration reports.

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 determined otherwise.

Change of control In the event of a change in control occurring in the remainder of the performance period, the awards will be pro-rated for time as follows:

- 80% if the event occurs between 1 January 2009 and 31 December 2009; and
- 100% thereafter.

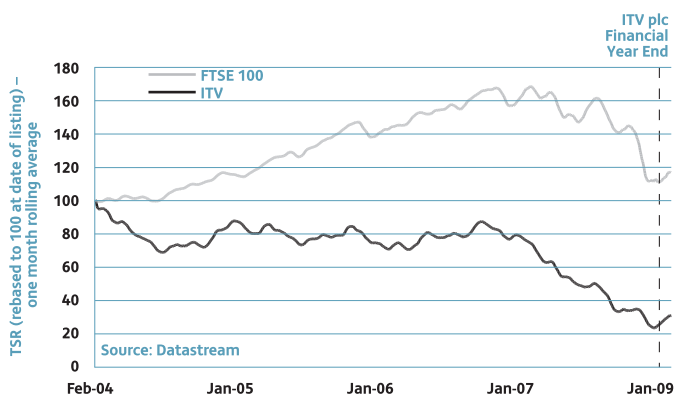
If a change of control occurs prior to 31 December 2009, the whole of the pro-rated award will become subject to the Company's relative TSR performance to the relevant date. After this point, performance will be measured according to the TSR condition and progress towards achievement of strategic targets will be considered.

All employee Turnaround Incentive Opportunity In recognition of the contribution all employees can make to the future success of the Company, and following the adoption of the Turnaround Plan, a corresponding long term cash-based incentive was introduced from January 2008 for the wider management and employee population, not including participants in the Plan, known as the Turnaround Incentive Opportunity.

In order to align the interests of participants and provide all employees with a clear focus on the business 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 1 January 2008.

Performance graph

The graph below shows the TSR performance of the Company against the FTSE 100 index. The FTSE 100 was selected for comparison as it represents a broad equity market index of which the Company was a member for the majority of the financial year.



The graph 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. The TSR holdings have been rebased to 100 at the date of listing to reflect the requirement to show performance from this date onwards.

One month averaging has been applied throughout, with the exception of the month following the merger of Granada with Carlton. 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.

Previous Remuneration reports have included a graph showing TSR performance from 16 October 2002 (the date of the announcement of the merger). As the merger took place five years ago, in February 2004, we no longer consider this to be the appropriate basis on which to assess the Company's performance.

Service contracts

Executive directors have service contracts which provide for 12 months' notice on either side.

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	None
John Cresswell	16 January 2006	Rolling	12 months	12 months	None
Ian Griffiths	9 September 2008	Rolling	12 months	12 months	None
Rupert Howell	28 February 2008	Rolling	12 months	12 months	None

Note:

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).

Executive directors' non-executive directorships

With specific approval of the Board, 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.

During the year Michael Grade retained fees for external non-executive directorships for the period he was a director as set out below:

Company	2008 £000	2007 £000
Pinewood Shepperton Plc	102	98
Ocado Limited	100	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 executive director

Dawn Airey resigned as a director on 29 April 2008. No payment was made to her in connection with the cessation of her employment and all outstanding share awards lapsed accordingly.

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.

Fees paid to the non-executive directors are determined by the Board based on market information supplied by Deloitte, 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 are reviewed annually. There were no changes to the level of fees paid during 2008, and none are proposed for 2009.

The annual fees payable are as follows:

	31 December 2008 £	31 December 2007 £
Non-executive directors' fees		
Deputy Chairman ⁽¹⁾	165,000	165,000
Board member	55,000	55,000
Senior independent director	25,000	25,000
Audit Committee member	5,000	5,000
Audit Committee Chairman	20,000	20,000
Nomination Committee member	5,000	5,000
Nomination Committee Chairman	15,000	15,000
Remuneration Committee member	5,000	5,000
Remuneration Committee Chairman	15,000	15,000

Notes

(1) Sir George Russell receives no further payment in relation to Committee responsibilities.

(2) Details of committee membership can be found in the Corporate Governance section.

From 1 January 2009 the non-executive directors will use 25% of their annual fees, after statutory deductions, to acquire shares in the Company. The shares will be purchased quarterly and will be held by a nominee on their behalf. The shares will be released when they retire from the Board.

Audited information

The following tables 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 KPMG Audit Plc.

Aggregate directors' remuneration

The total amounts of directors' remuneration for the period from 1 January 2008 to 31 December 2008 were as follows:

	2008 £000	2007 £000
Emoluments	2,893	3,784
Gains on exercise of share options	87	168
	2,980	3,952

Audited information continued

Directors' emoluments

The directors' emoluments for the year ended 31 December 2008 were as follows:

Name of director	Notes	Fees/Basic Salary £000	Benefits in kind ⁽¹¹⁾ £000	Pension contributions £000	Short term incentives ⁽¹⁰⁾ £000	Total for the year ended 31 December 2008 £000	Total for the year ended 31 December 2007 £000
Executive							
Michael Grade	8	825	35	74	–	934	1,934
John Cresswell		575	24	–	–	599	1,231
Ian Griffiths	1, 9	108	3	16	–	127	–
Rupert Howell	2, 9	375	43	56	–	474	–
Dawn Airey	3, 9	75	9	11	–	95	–
Non-executive							
Mike Clasper		80	–	–	–	80	63
Sir James Crosby		100	–	–	–	100	92
Andy Haste	4	24	–	–	–	24	–
Heather Killen		65	–	–	–	65	23
John McGrath	7	4	–	–	–	4	73
John Ormerod	5	62	–	–	–	62	–
Sir Brian Pitman	6	24	–	–	–	24	58
Baroness Usha Prashar		75	–	–	–	75	61
Sir George Russell		165	–	–	–	165	165
Agnès Touraine		65	–	–	–	65	25
Past directors' remuneration (for comparative purposes)		–	–	–	–	–	59
Aggregate emoluments		2,622	114	157	–	2,893	3,784

Notes:

- (1) From his appointment to the Board on 9 September 2008.
- (2) From his appointment to the Board on 28 February 2008.
- (3) From her appointment to the Board on 28 February 2008, to her resignation on 29 April 2008.
- (4) From his appointment to the Board on 11 August 2008.
- (5) From his appointment to the Board on 18 January 2008.
- (6) Up to his retirement from the Board on 15 May 2008.
- (7) Up to his retirement from the Board on 17 January 2008.
- (8) Pension contribution represents a cash payment in lieu of pension and is described further in the pension entitlements section of this report.
- (9) Pension contributions represent payments made into Personal Pension Plans and are described further in the pension entitlements section of this report.
- (10) The Bonus payments for 2008 performance are to be awarded in the form of nil-cost options under the DSA, see the DSA section below for further details.
- (11) This disclosure includes the cost of private medical insurance and car benefits.

Incentive and performance related awards

Information given in the tables below is for the period from 1 January 2008 to 31 December 2008.

Turnaround Plan ("Plan") Options over ordinary shares in ITV plc awarded to executive directors under the terms of the Plan are as follows, the performance conditions applicable to the awards shown are set out in the remuneration policy above.

Director	Award date	Notes	At 1 January 2008	Awarded in year	Exercised in year	Lapsed in year	At 31 December 2008	Share price used for award (pence)	Performance testing dates
John Cresswell	13 September 2007	2, 3	2,849,100	–	–	–	2,849,100	111.00	25% December 2009, 75% December 2011
Ian Griffiths	2 October 2008	2, 3	–	4,023,669	–	–	4,023,669	42.25	25% December 2009, 75% December 2011
Rupert Howell	3 October 2007	2, 3	2,357,143	–	–	–	2,357,143	105.00	25% December 2009, 75% December 2011
Dawn Airey	3 October 2007	1, 3	2,357,143	–	–	2,357,143	–	105.00	–

Notes:

- (1) Lapsed on cessation of employment.
- (2) 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.
- (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, Home Retail Group, Intercontinental Hotels Group, Kingfisher, Marks & Spencer Group, Next, Pearson, Reed Elsevier, Thomson Reuters, SABMiller, Scottish & Newcastle, Vodafone Group, WPP and Yell Group.

Turnaround Incentive Award (“Award”) Options over ordinary shares in ITV plc awarded to Michael Grade under the Award are as follows, the performance conditions applicable to the Award are set out above.

Award date	Notes	At 1 January 2008	Awarded in year	Exercised in year	At 31 December 2008	Share price used for award (pence)	Performance testing dates
13 September 2007	1, 2	5,657,042	–	–	5,657,042	106.0625	25% December 2009 75% December 2011

Notes:

(1) 25% of the 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 retested with the remaining 75% of the award at 31 December 2011.

(2) The comparator group is as listed in note (3) above for the Turnaround Plan.

Deferred Share Award Plan (“DSA”) Awards and options over ordinary shares in ITV plc awarded to executive directors under the terms of the DSA are as follows:

Director	Award date	Notes	At 1 January 2008	Awarded in year	Exercised/ Released in year	Lapsed in year	At 31 December 2008	Share price at date of award (pence)	Date of exercise/release	Share price at date of exercise/ release (pence)	Vesting date
John Cresswell	17 March 2006	1, 5	67,298	–	67,298	–	–	116.75	17 March 2008	61.02	–
John Cresswell	15 March 2007	1, 5	113,151	–	113,151	–	–	105.25	31 December 2008	40.43	–
John Cresswell	14 March 2008	2	–	482,982	241,491	–	241,491	65.30	31 December 2008	40.43	31 December 2009
			180,449	482,982	421,940	–	241,491				
Michael Grade	14 March 2008	2	–	1,480,704	740,352	–	740,352	65.30	31 December 2008	40.43	31 December 2009
Ian Griffiths	2 October 2008	1, 4	–	177,515	–	–	177,515	42.25	–	–	31 December 2009
Rupert Howell	14 March 2008	2	–	97,511	48,755	–	48,756	65.30	31 December 2008	40.43	31 December 2009
Dawn Airey	14 March 2008	2, 3	–	97,511	–	97,511	–	65.30	–	–	–

Notes:

(1) Awarded in the form of nil cost options.

(2) Awarded in the form of restricted shares.

(3) Lapsed on cessation of employment.

(4) A one off award made under his terms of appointment.

(5) The combined market value of the nil-cost options on the dates of exercise was £86,812. This is disclosed in the aggregate directors' remuneration table on the previous page as a gain on exercise of share options.

(6) In the event of a change of control, restricted shares will vest and nil cost options become exercisable in full.

For 2008 performance the executive directors will receive awards over nil-cost options under the DSA. Michael Grade, John Cresswell and Rupert Howell will each receive an award under the DSA equal to 28.5% of salary; Ian Griffiths will receive an award equal to 7.13% of salary.

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	Notes	At 1 January 2008	Awarded in year	Exercised in year	Lapsed in year	At 31 December 2008	Share price at date of award (pence)	Exercise period
27 September 2005	1, 2	158,393	–	–	158,393	–	112.50	September 2009 – September 2010
13 September 2006	1	607,595	–	–	–	607,595	98.75	
		765,988	–	–	158,393	607,595		

Notes:

(1) The comparator group is as listed in note (3) above for the Turnaround Plan.

(2) Lapsed on 27 September 2008, as performance conditions were not met.

Prior to 2007, the PSP was used to provide a long term incentive for the senior management population with a maximum award per individual of 150% of salary in respect of any financial year. Following the introduction of the Turnaround Plan in 2007, it was agreed that no PSP awards would be made to any Turnaround Plan or Turnaround Incentive Opportunity participants for two years following the adoption of the Plan. As a result no awards have been made under the PSP since 2006. John Cresswell is the only executive director to hold awards under the PSP.

Vesting of outstanding awards is dependent on the TSR performance of the Company against a customised FTSE 100 comparator group (detailed above), excluding those sectors which do not provide a benchmark of performance that would be relevant to the Company 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.

If a change of control occurs the awards will become exercisable based upon the Company's performance against the TSR condition to the relevant date, as if this condition applied to the whole award. The ITV plc shares that vest will then be capable of exercise for one month from the date of change of control.

The 2005 PSP awards reached the end of their performance period in 2008 and lapsed as the TSR performance condition was not met. The 2006 PSP awards remain outstanding, and will be tested in 2009. On the basis of TSR tests carried out on 31 December 2008 the achievement of the performance conditions attaching to these awards remains challenging.

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:

	Award date	Notes	At 1 January 2008 vested	At 1 January 2008 unvested	Vested in year	Exercised in year	Lapsed in year ⁽⁵⁾	At 31 December 2008 vested	At 31 December 2008 unvested	Exercise price (pence)	Vesting date	Exercise period
Granada	22 August 2003	1, 2, 6	301,785	–	–	–	–	301,785	–	Nil	–	August 2005 – August 2010
Granada	22 August 2003	1, 2, 6	471,944	–	–	–	–	471,944	–	100.72	–	August 2005 – August 2010
ITV	19 April 2005	3	–	566,814	–	–	283,407	–	283,407	Nil	19 April 2009	April 2009 – April 2015
ITV	19 April 2005	3	–	566,814	–	–	283,407	–	283,407	125.75	19 April 2009	April 2009 – 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
			773,729	2,170,344	–	–	566,814	773,729	1,603,530			

Notes:

(1) The performance condition applicable for the awards made under the Granada Commitment Scheme was TSR relative to Granada's international media comparator group companies as set out in note (2) below. 25% of awards vest at median; 100% 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. The balance shown represents options that vested at the relevant testing dates, but have not been exercised.

(2) The comparator group consists of the following companies: British Sky Broadcasting Group, Carwest 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, Home Retail Group, Hays, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, O2, Pearson, Reed Elsevier, Rentokil Initial, Thomson Reuters, 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, Home Retail Group, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, PartyGaming, Pearson, Reed Elsevier, Rentokil Initial, Thomson Reuters, Rexam, SABMiller, Scottish & Newcastle, Vodafone Group, Wolseley, WPP and Yell Group.

(5) Lapsed on 19 April 2008 as performance conditions were not met. The remainder are subject to performance testing on 19 April 2009.

(6) ITV plc shares and adjusted following the merger of Granada with Carlton in 2004.

No awards under the ITV Commitment Scheme (the "Scheme") have been made since 2006, and there are currently no plans to use the Scheme going forward. John Cresswell is the only executive director with outstanding awards under the Scheme.

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 (detailed above), excluding those sectors which do not provide a benchmark of performance that would be relevant to the Company. There is no vesting for performance below median. 25% of the award vests at median and 100% at upper quartile. Vesting will occur on a straight line basis 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).

The awards made under the Scheme in 2005 reached the end of the initial three year performance period in April 2008 and 50% of the awards lapsed as the TSR performance condition was not met. The outstanding balance will be tested in April 2009. On the basis of TSR tests carried out on 31 December 2008 the achievement of the performance conditions attaching to these awards remains challenging.

ITV Savings-Related Share Option Scheme ("SAYE") Options over ordinary shares in ITV plc awarded to executive directors under the terms of the SAYE are as follows:

Director	Award date	At 1 January 2008	Awarded in year	Exercised in year	Lapsed in year	At 31 December 2008	Exercise price (pence)	Exercise period
Michael Grade	4 April 2008	–	32,307	–	–	32,307	52.00	June 2013 – December 2013
John Cresswell	4 April 2008	–	32,307	–	–	32,307	52.00	June 2013 – December 2013

Granada Share Option Schemes 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	Award date	At 1 January 2008	Awarded in year	Exercised in year	Lapsed in year	At 31 December 2008	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	–	–	25,120	189,689		

Note: The numbers in the table above are in ITV plc shares and have been adjusted following the merger of Granada with Carlton in 2004.

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 2008 £000	Increase in accrued pension in the year £000	Accrued pension 31 December 2008 £000
John Cresswell	96	12	108

The following table sets out the transfer value of his accrued benefits under the scheme calculated in a manner consistent with the Occupational Pension Schemes (Transfer Values) Regulations 2008.

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 additional year of service.

Name of director	Transfer value 1 January 2008 £000	Contributions made by the director £000	Increase in transfer value in the year net of contributions ⁽¹⁾ £000	Transfer value 31 December 2008 £000
John Cresswell	1,064	40	136	1,240

Notes:

(1) Transfer values at 31 December 2008 have been calculated in accordance with the transfer value members would receive if they transferred their pension elsewhere. The increase in transfer value includes the effect of fluctuations 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 executive 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	11	57

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.

The Company also made contributions to Personal Pension Plans belonging to Rupert Howell, Ian Griffiths and Dawn Airey with a value of 15% of their respective basic salaries. These payments are included in the emoluments table.

Michael Grade was not a member of any Company pension scheme during the year. Michael Grade receives a cash payment of 9% of his basic salary in lieu of pension contribution. This payment is included in the directors' emoluments table.

No directors were members of money purchase schemes operated by the Group.

Share price information

The market price of the ITV plc ordinary shares at 31 December 2008 was 39.75 pence and the range during the year was 26.0 pence to 84.2 pence.

Approval

This report was approved by the Board of directors on 4 March 2009 and signed on its behalf by:

Baroness Usha Prashar
Chairman, Remuneration Committee

	Holders Number	%	Shares held Millions	%
Type of holder:				
Banks and nominee companies	3,375	4.69	3,672.98	94.44
Individuals	68,136	94.61	159.34	4.10
Others	506	0.70	56.80	1.46
Totals		100.00		100.00
Size of holding:				
1 – 100	9,903	13.75	0.36	0.01
101 – 200	9,664	13.42	1.45	0.03
201 – 500	19,496	27.07	6.44	0.17
501 – 1,000	12,116	16.82	8.90	0.23
1,001 – 2,000	9,481	13.16	13.66	0.35
2,001 – 5,000	6,854	9.52	21.57	0.56
5,001 – 10,000	2,304	3.20	16.54	0.43
10,001 – 50,000	1,442	2.00	28.49	0.73
50,001 – 100,000	172	0.24	12.66	0.33
100,001 – 500,000	267	0.37	64.14	1.65
500,001 – 1,000,000	97	0.13	70.55	1.81
1,000,001 – 5,000,000	135	0.19	296.47	7.62
5,000,001 – 10,000,000	33	0.05	231.30	5.95
10,000,001 – 50,000,000	35	0.05	729.23	18.75
50,000,001 and above	18	0.03	2,387.29	61.38
Totals		100.00		100.00

Information as at 31 December 2008

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 charges) from the UK and +44 20 8639 3399 from outside the UK

@ Alternatively you could email them at:
shareholder.services@capitaregistrars.com

Shareholders who receive duplicate sets of company mailings because they have multiple accounts should write to Capita to have the accounts amalgamated.

By logging on to www.capitashareportal.com shareholders can benefit from a number of online services as follows:

- Cast your proxy vote online;
- Elect to receive shareholder communication electronically;
- View your holding balance, indicative share price and valuation;
- View transactions on your holding and dividend payments you have received;
- Update your address or register a bank mandate instruction to have dividends paid directly to your bank account;
- Access a wide range of shareholder information including downloadable forms.

🌐 www.capitashareportal.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 IRG Trustees Limited offer a telephone and online share dealing service for UK resident shareholders. To use this service shareholders should contact Capita:

☎ 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 at www.itvplc.com.

Dividend Reinvestment Plan

Capita operate a Dividend Reinvestment Plan (DRIP) to provide UK shareholders with a facility to invest cash dividends by purchasing further ITV plc shares. Further details are available from Capita.

Individual Savings Accounts (ISAs)

The Company has a corporate sponsored Stocks and Shares ISA. The ISA offers 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 Limited
Lovell Park Road
Leeds LS1 1NS

☎ 0870 600 9966

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
PO Box 9501
Nottingham NG80 1WD

☎ 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.

☎ 0845 703 4599

@ mps@dma.org.uk

🌐 www.mpsonline.org.uk

Registered office

ITV plc
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 14 May 2009
Interim Management Statement	May 2009
Half year results announcement	August 2009

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. These operations are commonly known as "boiler rooms".

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 by visiting:

🌐 www.fsa.gov.uk/register

- Report the matter to the FSA either by calling 0845 606 1234 or visiting:

🌐 www.moneymadeclear.fsa.gov.uk

- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at:

🌐 www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

Details of any sharedealing facilities that the Company endorses will only be included in company mailings.

More detailed information can be found on the FSA website:

🌐 www.moneymadeclear.fsa.gov.uk

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 Capita in a safe place, or destroy correspondence by shredding.
- If you change address inform Capita in writing or via the Shareholder Portal. If you receive a letter from Capita 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 Capita of the details of your new account. You can do this via post or online using the Shareholder Portal. Respond to any letters Capita sends you about this.
- If you are buying or selling shares only deal with brokers registered in your country of residence or the UK.

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Balance sheet					
Share capital	389	389	401	423	422
Reserves	137	2,844	2,755	2,870	2,671
Shareholders' funds	526	3,233	3,156	3,293	3,093
Minority interests	8	6	7	12	16
Net assets	534	3,239	3,163	3,305	3,109
Represented by:					
Property, plant and equipment and intangible assets	1,360	4,084	4,088	4,182	4,055
Investments	71	89	103	274	233
Held to maturity investments	–	100	–	–	–
Distribution rights	13	7	11	13	12
Inventory	516	440	400	388	368
Trade and other receivables (including assets held for sale and derivative financial instruments)	528	472	548	432	347
Deferred tax asset	–	–	–	74	66
Total assets	2,488	5,192	5,150	5,363	5,081
Net debt	(730)	(668)	(734)	(481)	(280)
Deferred tax liability	(55)	(75)	(7)	–	–
Other liabilities	(1,085)	(1,179)	(1,219)	(1,525)	(1,617)
Provisions	(84)	(31)	(27)	(52)	(75)
	534	3,239	3,163	3,305	3,109
Results					
Turnover	2,029	2,082	2,181	2,196	2,053
Operating (loss)/profit before exceptional items	(2,550)	227	299	358	213
Share of (losses)/profits of joint ventures and associated undertakings	(15)	2	8	11	13
Investment income	1	1	3	16	14
Exceptional items	(108)	(9)	4	(39)	(53)
(Loss)/profit before interest and tax	(2,672)	221	314	346	187
Net financing costs	(60)	(33)	(26)	(35)	(19)
(Loss)/profit before tax	(2,732)	188	288	311	168
Taxation	178	(50)	(66)	(85)	(25)
(Loss)/profit after tax	(2,554)	138	222	226	143
Minority interests	(2)	(1)	(3)	(4)	(6)
(Loss)/profit for the financial year	(2,556)	137	219	222	137
Basic (loss)/earnings per share	(65.9)p	3.5p	5.5p	5.4p	3.5p
Dividend per share	0.675p	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.



ITV plc

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Investors: www.itvplc.com

