

ITV Services Limited

Directors' report and financial
statements

Registered number 229607

Year ended 31 December 2007



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	3
Independent auditor's report to the members of ITV Services Limited	4
Profit and Loss account	5
Balance sheet	6
Statement of total recognised gains and losses	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007. The comparatives are for the year ended 31 December 2006.

Business review and principal activities

The principal activity of ITV Services Limited ('the Company') continues to be to provide services for other companies within the ITV plc group.

The results for the Company show a profit before tax of £408,832,000 (2006: £106,638,000) for the year and sales of £138,111,000 (2006: £54,997,000).

Principal risks and uncertainties

The principal activity of ITV Services Limited is the provision of services to other companies within the ITV plc group. The principal risks of the Company relate to non-payment for services and are therefore integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the ITV plc group are discussed on page 34 and 35 of the group's annual report.

On 1 January 2007, the Company extended its role of providing services to companies within the ITV plc group following the acquisition of properties used by various group members. It now additionally undertakes the provision of property rental and management services as well as sales and purchase ledger and other centralised accounting processes on behalf of fellow group members.

Purchase of business

On 1 January 2007, the Company purchased various assets, including a number of properties from fellow group companies upon the acquisition of part of the vendors' businesses as going concerns. The consideration, which included the assumption of liabilities, resulted in cash payments being made to ITV Services Limited of £44,695,000.

Key performance indicators (KPIs)

Given the nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Company.

Principal transactions

During the year the ITV plc group continued the operational and legal restructuring programme, commenced in 2004, to simplify the corporate structure.

Dividends

During the year the Company paid an interim dividend of £450,000,000 (year to 31 December 2006: £nil). The directors do not recommend the payment of a final dividend (2006: £nil).

Directors' report *(continued)*

Directors

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

Helen Tautz
James Tibbitts

Donations

Grants and charitable donations made during the year amounted to £nil (year ended 31 December 2006 £nil). There were no political contributions made during the year (year ended 31 December 2006 none).

Employment policies

The employment policies of the Company are disclosed in the accounts of ITV plc for the year ended 31 December 2007. A copy of the accounts of ITV plc can be obtained from the Company Secretary at the registered office address in note 23.

Creditor payment policy

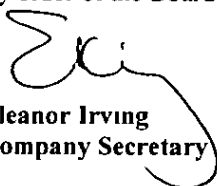
The Company's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not follow any code or standard on payment practice. The number of days' purchases outstanding for payment by the Company as at 31 December 2007 was 51 days.

Auditor and disclosure of information to auditor

The directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Financial Statements before the Company in a General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

By order of the Board



Eleanor Irving
Company Secretary

200 Gray's Inn Road
London
WC1X 8HF

30th July 2008

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of ITV Services Limited

We have audited the financial statements of ITV Services Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants and Registered Auditor

PO Box 695

8 Salisbury Square

London

EC4Y 8BB

Date *4th August 2008*

Profit and Loss account

	<i>Note</i>	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Turnover	2	138,111	54,997
Staff costs	3	(29,951)	(9,933)
Depreciation	8	(10,851)	(97)
Other operating costs		(112,700)	(37,293)
Operating (loss)/profit		(15,391)	7,674
Income from fixed asset investments	5	472,991	100,000
Write down of investments	12	(5,528)	-
Interest payable and similar charges	6	(47,945)	(1,142)
Interest receivable and similar income	7	4,705	106
Profit on ordinary activities before taxation	8	408,832	106,638
Taxation	10	(4,343)	782
Profit for the financial year	19	404,489	107,420

The notes on pages 8 to 19 form part of the financial statements

As stated in the Directors' report the results for both current year and prior year derive from continuing activities

Historical cost profit is not materially different from that presented in the profit and loss account Accordingly no separate analysis has been presented

Balance sheet

	Note	31 December 2007 £000	31 December 2006 £000
Fixed assets			
Tangible fixed assets	11	88,217	206
Investments	12	1,651,589	1,709,499
Intangible assets	13	7,769	-
		<u>1,747,575</u>	<u>1,709,705</u>
Current assets			
Stock	14	102	-
Debtors	15	121,806	65,939
Cash at bank and in hand		395	36,922
		<u>122,303</u>	<u>102,861</u>
Creditors amounts falling due within one year	16	<u>(154,960)</u>	<u>(53,790)</u>
Net current (liabilities)/assets		(32,657)	49,071
Net assets		<u>1,714,918</u>	<u>1,758,776</u>
Capital and reserves			
Called up share capital	18	3	3
Share premium account	19	1,499,865	1,499,865
Capital contribution reserve	19	149,421	149,421
Other reserve	19	-	21,043
Profit and loss account	19	65,629	88,444
Equity shareholders' funds	19	<u>1,714,918</u>	<u>1,758,776</u>

The notes on pages 8 to 19 form part of the financial statements

These financial statements were approved by the board of directors on 30th July 2008 and were signed on its behalf by


Helen Tautz
Director

Statement of total recognised gains and losses

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Total recognised gains and losses relating to the year	425,532	107,420
Actuarial gains and losses on defined benefit pension schemes	2,360	(2,486)
Deferred tax on defined benefit pension schemes	(707)	746
Total gains and losses relating to the financial year	427,185	105,680

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Cash flow statement

Under FRS1 the Company is also exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Related party transactions

As the Company is a wholly owned subsidiary of ITV plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of ITV plc, within which this Company is included, can be obtained from the address given in note 23.

Depreciation

Depreciation is provided so as to write off the cost of tangible fixed assets less residual value on a straight line basis at the following rates:

Motor vehicles, equipment, fixtures and fittings	-	3 to 10 years
Short leasehold	-	10 years
Long leasehold	-	10 to 70 years

Freehold land is not depreciated.

Investment properties

The Company has adopted the following policy in relation to its investment properties following the transfer of properties from fellow group companies during the year:

In accordance with Statement of Standard Accounting Practice No. 19:

- 1 investment properties are revalued annually and where appropriate the aggregate surplus or deficit is transferred to a revaluation reserve, and
- 2 no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are held for investment and the directors consider that an annual depreciation charge would not be appropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. The non-depreciation of investment properties is not considered to have a material effect on the accounts.

Stock

Consumable stocks are valued at the lower of cost and net realisable value.

Notes (continued)

1 Accounting policies (continued)

Pension scheme

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

With the exception of the unfunded pension scheme the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Therefore, as permitted by FRS 17 'Retirement benefits' these schemes are accounted for as if they were defined contribution schemes. The unfunded pension scheme is accounted for as a defined benefit pension scheme in accordance with FRS17.

Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation. The intangible assets relate entirely to capitalised software programming costs and will be amortised from 1 July 2008, when the new system is expected to go live, on a straight line basis over a five year period.

Investments

The Company's balance sheet includes investments at cost less amounts written off in respect of any permanent diminution in value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised and computed without discounting. Full provision is made in respect of all timing differences between the treatment of certain items in the financial statements and their treatment for taxation purposes at the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not that the asset will be recovered.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Operating leases

The rental paid under operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

2 Turnover

Turnover, which arose wholly in the United Kingdom, represents the invoiced amounts of services provided during the period and is stated net of Value Added Tax. This includes overheads incurred by ITV Services Limited on behalf of other group companies being recharged to those companies. Also included within turnover is rental income for properties held by ITV Services Limited and let to the rest of the ITV plc group.

3 Staff costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 December 2007	Year ended 31 December 2006
Directors and executives	72	17
Finance and treasury	197	15
Human resources	67	21
Procurement	12	-
Other	8	-
	<u>356</u>	<u>53</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Wages and salaries including redundancy costs	24,793	6,835
Social security costs	2,634	758
Pension costs and other benefits	2,524	2,340
	<u>29,951</u>	<u>9,933</u>

All staff were employed in the UK in the year ended 31 December 2007 and the year ended 31 December 2006.

4 Directors' emoluments

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Emoluments	<u>476</u>	<u>441</u>

The emoluments of the highest paid director were £377,000 (year ended 31 December 2006: £346,000).

There were 2 directors to whom retirement benefits were accruing under defined benefit schemes (2006: 1). The pension accrued during the year for these directors was £7,713 (31 December 2006: £5,849).

No directors contribute to a money purchase scheme (2006: none).

Notes (continued)

5 Income from fixed asset investments

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Dividends from shares in group undertakings	472,991	100,000

6 Interest payable and similar charges

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Interest paid to group undertakings	3,808	-
Foreign exchange	2	-
Bank interest paid	42,778	-
Interest on pension deficit liability	1,357	1,142
	<u>47,945</u>	<u>1,142</u>

7 Interest receivable and similar income

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Interest on loan notes	195	-
From group undertakings	4,083	-
Bank interest receivable	427	106
	<u>4,705</u>	<u>106</u>

8 Profit on ordinary activities before taxation

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
<i>Profit on ordinary activities before taxation is stated after (charging)/crediting</i>		
Depreciation and amounts written off tangible fixed assets	(10,851)	(97)
Profit on disposal of tangible fixed assets	27	48

During both the current year and the prior year the remuneration of the auditor was borne by ITV Services Limited on behalf of the ITV plc Group. Accordingly fees payable to the auditor are disclosed in note 4 of the Group's annual report. Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidation basis in the consolidated financial statements of the Company's ultimate parent ITV plc.

Notes (continued)

9 Purchase of business

On 1 January 2007, the Company purchased the assets below from fellow group companies upon the acquisition of part of the vendors' businesses as going concerns. The consideration, which included the assumption of liabilities, resulted in cash payments being made to ITV Services Limited of £44,695,000. The summary of the effect of the purchase of business is

	£000
Net assets/(liabilities) purchased	
Tangible fixed assets	33,494
Stock	19
Creditors	(131,500)
Debtors	53,248
Cash	44
	<u>(44,695)</u>

10 Taxation

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Analysis of charge in year		
UK Corporation tax		
Current tax on income for the year	-	-
Total current tax (see below)	<u>-</u>	<u>-</u>
Deferred tax (see note 17)	4,343	(782)
Tax charge on profit on ordinary activities	<u>4,343</u>	<u>(782)</u>

The current tax charge for the year is lower (*year ended 31 December 2006 lower*) than the standard rate of corporation tax in the UK (*year ended 31 December 2007 30%, year ended 31 December 2006 30%*). The differences are explained below

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
<i>The Current tax reconciliation</i>		
Profit on ordinary activities before tax	408,832	106,638
Current tax at 30% (<i>31 December 2006 30%</i>)	<u>122,650</u>	<u>31,991</u>
<i>Effects of</i>		
Permanent differences and group relief	(122,650)	(31,700)
Depreciation less than capital allowances	-	(18)
Other timing differences	-	(273)
Total current tax charge (see above)	<u>-</u>	<u>-</u>

Notes (continued)

11 Tangible fixed assets

	Land and buildings		Vehicles, equipment and fittings	Total
	Long	Short		
	£000	£000	£000	£000
Cost				
At 1 January 2007	-	-	305	305
Additions	45,945	2,423	50,949	99,317
Disposals	-	-	(455)	(455)
At 31 December 2007	45,945	2,423	50,799	99,167
Accumulated depreciation				
At 1 January 2007	-	-	99	99
Charge for year	768	135	9,948	10,851
At 31 December 2007	768	135	10,047	10,950
Net book value				
At 31 December 2007	45,177	2,288	40,752	88,217
At 1 January 2007	-	-	206	206

12 Fixed asset investments

The movements in the investments in subsidiary undertakings of the Company during the year are analysed below

	Investments in subsidiaries £000
Cost.	
At 1 January 2007 and 31 December 2007	1,709,499
Return of capital	(52,382)
Amounts written off investments	(5,528)
At 31 December 2007	1,651,589
Net book value	
At 31 December 2007	1,651,589
At 1 January 2007	1,709,499

At 31 December 2007 the Company had a direct interest in 100% of the unlisted ordinary share capital of the following companies, all of which are incorporated in Great Britain and registered in England and Wales

Name of Company	Principal activity
Granada Limited	Holding company
South Bank Television Holdings Limited	Provision of property to group companies
Castlefield Properties Limited	Provision of property to group companies
Granada Properties Limited	Provision of property to group companies

During the year the directors reviewed the carrying values of the Company's investments and decided to provide against various investments

Notes (continued)

13 Intangible assets

	£000
<i>Cost:</i>	
At 1 January 2007	-
Additions	7,769
At 31 December 2007	7,769

During the year the Company capitalised costs relating to the creation of a new financial reporting system which is due to go live in 2008

14 Stock

	31 December 2007 £000	31 December 2006 £000
Consumables	102	-

15 Debtors

	31 December 2007 £000	31 December 2006 £000
Trade debtors	7,618	-
Amounts owed by group undertakings	44,084	48,579
Deferred taxation asset (see note 17)	4,777	9,827
Other taxation	36,651	-
Prepayments and accrued income	28,676	7,533
	121,806	65,939

16 Creditors: amounts falling due within one year

	31 December 2007 £000	31 December 2006 £000
Trade creditors	38,907	-
Amounts owed to group undertakings	16,455	9,393
Taxation and social security	9,451	741
Defined benefit pension liability	26,600	28,488
Bank overdraft	29,545	-
Accruals and deferred income	34,002	15,168
	154,960	53,790

Notes (continued)

17 Deferred taxation

The movement in deferred taxation is as follows	£000
Opening balance as at 1 January 2007	9,827
Profit and loss credit on unfunded pension scheme	142
Profit and loss account charge for the year	(3,566)
Impact of tax rate change	(919)
Other recognised gains and losses	(707)
Closing balance as at 31 December 2007	4,777

The elements of deferred taxation are as follows

	31 December 2007 £000	31 December 2006 £000
Accelerated capital allowances	(4,043)	57
Other timing differences	1,372	1,224
Unfunded pension scheme	7,448	8,546
	4,777	9,827

A deferred tax asset is recognised because the directors believe that the future taxable profits are more likely than not to be in excess of those arising from the reversal of the deferred tax asset

18 Called up share capital

	31 December 2007 £000	31 December 2006 £000
Authorised		
12,600 ordinary shares of £0.05 each (2006 12,500 ordinary shares of £0.05 each)	1	1
12,500 4.2% cumulative preference shares of £1.00 each	12	12
	13	13
Allotted, called up and fully paid		
12,520 ordinary shares of £0.05 each (2006 12,500 ordinary shares of £0.05 each)	1	1
2,130 4.2% cumulative preference shares of £1.00 each	2	2
	3	3

The holders of the redeemable preference shares have waived their right to preference share dividends and the right to exercise their option to redeem these shares. As such these shares have been classified as equity in accordance with FRS 25.

Notes (continued)

19 Reconciliation of movements in shareholders' funds

	Share capital £000	Share premium £000	Capital contribution reserve £000	Other reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2007	3	1,499,865	149,421	21,043	88,444	1,758,776
Actuarial losses on pension scheme	-	-	-	-	2,360	2,360
Deferred tax relating to actuarial losses on pension scheme	-	-	-	-	(707)	(707)
Retained profit for the financial year	-	-	-	-	404,489	404,489
Transfer	-	-	-	(21,043)	21,043	-
Dividend paid	-	-	-	-	(450,000)	(450,000)
At 31 December 2007	3	1,499,865	149,421	-	65,629	1,714,918

In prior years, as required by FRS 20, where shares or rights to shares in the ultimate parent company were granted to third parties, including employees, a charge was recognised in the Company's profit and loss account based on the fair value of the shares at the date the grant of shares or right to shares was made. This cost was then charged to group members by the Company and a credit was booked in other reserves of the Company to reflect the charge. During 2007, the parent company, ITV plc, adopted UITF41 'Scope of FRS 20 - Share Based Payments' which resulted in that company recognising the share based payments for the current and prior years in its accounts. As a result ITV Services Limited has transferred the other reserve balance to the profit and loss reserve. The table below shows the FRS 17 impact of the pension liability on reserves.

	31 December 2007 £000	31 December 2006 £000
Profit and loss reserve excluding pensions liability	92,229	116,932
Pensions liability	(26,600)	(28,488)
Profit and loss reserve including pensions liability	65,629	88,444

20 Pensions

Defined contribution scheme

Total contributions recognised in the profit and loss account in relation to defined contribution schemes during 2007 were £303,000 (2006 £46,000).

Defined benefit scheme

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

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

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

Notes (continued)

20 Pensions (continued)

Defined benefit scheme (continued)

The Company's normal contributions for the year were £1,945,000 (2006 £849,000). In addition to normal funding the group made a further contribution of £40 million in 2007. The levels of contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme.

At 31 December 2007 the scheme had an FRS 17 deficit of £115 million.

Particulars of the actuarial valuations of the group schemes are contained in the financial statements of ITV plc which can be obtained from the address given in note 1.

Unfunded pension scheme

The Company participates in the Group unfunded pension scheme. This scheme is accounted for as a defined benefit pension scheme in accordance with FRS17. The principal assumptions used in the scheme valuation at the balance sheet date were:

	2007	2006
<i>Major assumptions</i>		
Rate of general increase in salaries	4.65%	4.25%
Rate of increase in pension payment	3.30%	2.90%
Rate of increase to deferred pensions	3.40%	3.00%
Discount rate for scheme liabilities	5.70%	5.12%
Inflation assumption	3.40%	3.00%

For mortality rates the Group has used PA92 tables with mortality projected to 2020 for pensioner members and to 2035 for non-pensioner members.

The actuarial valuation of the unfunded pension scheme was updated to 31 December 2007 by the scheme's actuary. The liabilities of the scheme are shown below:

	2007 £000	2006 £000
Present value of scheme liabilities	(26,600)	(28,488)
Related deferred tax asset – full provision basis	7,448	8,546
Net pension deficit	(19,152)	(19,942)

Notes (continued)

20 Pensions (continued)

The scheme is unfunded so there are no assets to be valued. The amounts recognised are as follows

	2007 £000	2006 £000		
Analysis of amount charged to operating costs				
Current service cost	(100)	(892)		
Analysis of amount that would be credited/(charged) to interest payable and similar charges				
Interest on pension scheme liabilities	(1,357)	(1,142)		
Charge before taxation	(1,457)	(2,034)		
Analysis of amount recognised in statement of total recognised gains and losses				
Changes in assumptions underlying the present value of the scheme's liabilities	2,360	(2,486)		
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	2,360	(2,486)		
Movement in deficit during the period				
Deficit in scheme at beginning of period	(28,488)	(22,826)		
Movement in period				
Current service cost and curtailment gain	(100)	(892)		
Amounts paid to pensioners	985	358		
Interest payable and similar charges	(1,357)	(1,142)		
Augmentation	-	(1,500)		
Actuarial gain/(loss)	2,360	(2,486)		
	(26,600)	(28,488)		
Related deferred tax asset – full provision basis	7,448	8,546		
Net pension deficit	(19,152)	(19,942)		
History of experience gains and losses	2007	2006	2005	2004
Total amount recognised in the statement of total recognised gains and losses				
Amount (£000)	2,360	(2,486)	(1,146)	(1,755)
Percentage of the present value of scheme liabilities	9%	9%	5%	9%

21 Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2007 of £28 million (31 December 2006 £29 million)

The Company and certain other group companies have entered into an arrangement for a joint bank account with Barclays Bank PLC and are jointly and severally liable in respect of any overdraft arising on the group joint bank account. At 31 December 2007 this contingent liability amounted to £nil (31 December 2006 £nil)

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

22 Lease commitments

At 31 December 2007 the Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2007 £000	Land and buildings 2006 £000
Operating leases which expire		
Less than one year	745	-
In the second to fifth years inclusive	1,542	-
Over five years	2,564	-
	<u>4,851</u>	<u>-</u>

23 Ultimate parent company

At 31 December 2007 the Company's immediate parent Company was ITV Holdings Limited, a Company incorporated and registered in England and Wales and the Company's ultimate parent Company of was ITV plc, a Company incorporated and registered in England and Wales

The largest and smallest group in which the results of the Company were consolidated was that headed by ITV plc
The consolidated accounts of ITV plc are available to the public and may be obtained from the Company Secretary,
200 Gray's Inn Road, London WC1X 8HF