ITV plc 2006 interim report

more than meets the eye

Contents

Financial highlights

Revenue
+3% to £1,077m
(2005: £1,049m)

Operating EBITA*
+1% to £205m
(2005: £202m)

Operating profit
£163m
(2005: £150m)

Profit before tax
£173m
(2005: £154m)

Cash generated from operations
£169m
(2005: £196m)

Basic earnings per share
2.9p
(2005: 2.7p)

Adjusted earnings per share**
3.4p
(2005: 3.5p)

*before exceptional items, amortisation and disposed businesses
**before exceptional items and amortisation

Cover
Helen Mirren in the final series of Prime Suspect.

Chairman's statement

First half 2006 results
Operating EBITA before exceptional items, amortisation and disposed businesses at £205 million was similar to last year and basic earnings per share before exceptional items and amortisation was down 3% at 3.4 pence. We have decided to increase the interim dividend this year by 2% to 1.35 pence, payable on 8 January 2007 to shareholders on the register at 10 November 2006. The ex-dividend date will be 8 November 2006.

Return of cash to shareholders
In March, when we announced the initial return of £300 million to shareholders, we explained that we would be reviewing the ability to return more cash when our ongoing business review showed that we had surplus capital and that we were conducting a review of our capital structure to assess the appropriate level of distribution to shareholders.

We completed the review of our capital structure in May. The Board decided that ITV should continue to target an investment grade rating for its public debt. Our principal revenue is from television advertising, which is cyclical and combined with the fixed nature of television programme expenditure, makes free to air broadcasting a highly operationally geared business.

As a result we announced on 21 June 2006 that we will be increasing our cash return to shareholders from £300 million to £500 million and we have already started an on-market buyback with £86 million worth of shares purchased prior to 30 June 2006 and the shares cancelled.

We entered into a closed period on 1 July 2006 and, following our half year results announcement on 9 August, we will continue with the cash return.

ITV building new revenue streams
Whilst managing the transition from analogue broadcasting to digital broadcasting, we have a number of challenging targets for the different areas of the business and a detailed strategy to deliver them.

- 50% of revenues from outside ITV1 Net Advertising Revenue (NAR) by end 2010;
- multichannel NAR/interactive revenues of £250 million per annum by end 2008;
- ITV family share of commercial impacts (SOCI) at digital switchover (DSO) in 2012 of 38.5%;
- £100 million of efficiency savings by end 2008.

Commercial
We are seeking a review of the ITV1 Contract Rights Renewal (CRR) arrangements and are in dialogue with regulators. We are continuing to grow our revenues outside ITV1 NAR; improving our multichannel revenues, increasing sponsorship (across all our channels), interactive and online advertising revenues.

Channels
The aggregate viewing share of all ITV channels combined has been similar on each major digital broadcasting platform in the first half of the year compared to a year earlier. However, with the increasing uptake of digital TV and an increasing number of commercial impacts in the market place, our overall adult SOCI is down in the first half this year from 42.2% to 40.2%. We have launched two more channels in the first half of 2006, ITV Play and CITV, improving our revenue and impact growth in multichannel. As Charles explains in his operating review we expect our SOCI to stabilise as we approach digital switchover. We continue to invest in our key ITV1 programme brands, and are seeking to modernise our Public Service Broadcasting (PSB) obligations.

Production
Our sales of UK produced programmes to other UK broadcasters have continued to grow strongly, up by 10% to £32 million in the first half. After undertaking a business review we will be exiting Wildlife and Children's Drama. Our International Production and Distribution business is also growing strongly. Our production businesses have good delivery schedules for other broadcasters over the second half of the year. We have strong positions in all key markets and are committed to further expansion of our production businesses internationally, particularly in the US.

Consumer
ITV Consumer (ITVC) has continued to grow its revenue and profitability principally by building businesses which create and monetise direct consumer relationships. These are new and significant revenue streams for ITV. ITVC contributed £69 million of revenue in the first half of the year – only its second six months of trading – and launched the highly successful ITV Play. There are a number of projects in development using mobile and broadband technology to continue this growth in the future.

Financial
Earlier this year your Board received a highly conditional and speculative approach from a group of private equity funds. Your Board concluded that their proposal should be rejected for a number of reasons that were stated at the time.

The final tranche of the £325 million of pension deficit funding we announced in September 2005 was paid in early 2006, reducing the December 2005 IAS19 deficit to £325 million on a pro forma basis. Apart from this pension deficit funding, there has been no material change in the net pension deficit between 31 December 2005 and 30 June 2006.

People
Charles Allen will step down as Chief Executive and Director of the Company and will work with John Cresswell, who will be appointed as interim Chief Executive on 1 October 2006, to ensure an orderly transition during a handover period. The search for a permanent successor is starting immediately and headhunters are being appointed.

Charles has been at Granada plc and then ITV plc for 15 years, 10 of which as Chairman or Chief Executive. The Board of ITV plc owes its thanks to him for his success in creating a single ITV company from the federal structure that he inherited and for preparing the company for television in the digital age. Charles has done an excellent job over the past two years in integrating the business after the merger, in reducing costs and in reducing the burden of regulation on ITV and at the same time developing ITV's successful family of digital channels. The growth in the Company's business and profits since the merger reflects that success. I have enjoyed working with Charles over the past two and a half years and we all wish him the best in the future. We shall watch with great interest his future contribution to UK plc.

I am delighted that we have someone of the calibre of John to take over in the short term, and the Board has every confidence in his ability to hold the fort pending the appointment of Charles' successor.

I would like to take this opportunity on behalf of the Board to thank our management and employees for all their hard work in what is currently a challenging environment for free to air broadcasters.

Peter Burt

Sir Peter Burt
Chairman

Operating review

Introduction

We are focused on exploiting ITV's unique assets – our brand, content, cross-promotion and position within Freeview (the UK's free to air digital terrestrial television distribution platform) as we implement our strategy to develop our business operations in the digital world. Following a detailed business review in September 2005, we announced a management restructure. This new team is taking decisive action to drive new revenues, grow significant new businesses particularly within our consumer and production divisions, drive cost savings through operational efficiencies and modernising regulation.

Against a challenging advertising market we are continuing to develop our businesses. In the first half of 2006 we have developed consumer propositions and are growing revenues generated from direct relationships with consumers. We have developed our portfolio of channels by adding ITV Play and CITV, accelerated growth in our international content businesses and have increased the cash return to shareholders. We have also continued our disposal programme for non-core activities, selling 021 in January, Granada Learning in April and our Seven Network stake for £87 million in May, bringing our total proceeds from disposals to more than £400 million since the merger that created ITV plc in 2004.

In the first half of 2006 revenue increased by 3%. Revenue, excluding ITV1 NAR, was up by 25% and now represents 39% of the Group total. We are targeting 50% of revenue outside of ITV1 NAR by 2010 to be driven by strong performances from our digital channels, production and consumer businesses. Operating profit before amortisation, exceptional items and disposed businesses increased by 1% to £205 million. Profit before tax is £173 million this year, up 12% on the same period last year.

In June we announced that we would deliver £100 million of efficiency savings by the end of 2008 from business re-engineering and operational reviews. This comprises £40 million per annum of savings from improved overhead efficiencies representing 7% of the manageable cost base; £30 million per annum from schedule efficiencies, in part as a result of the evolution of ITV's PSB requirements as digital switchover approaches; and a further £30 million per annum from 2007 in reduced sports programming costs.

Commercial

UK advertising market ITV plc's NAR was down 4% in the first six months of 2006. ITV1 plc NAR was down 8% on the same basis against a weakening UK TV advertising market which was down 2% year-on-year. ITV1 continues to be affected by the move from analogue to digital where our SOCI performance and viewing share, in common with the other major terrestrial channels, is reduced. As we approach full digital take up we expect the overall viewing share of ITV1 to stabilise at approximately the level currently achieved in digital homes and at the point of digital switchover we are targeting a SOCI of 38.5% for all our channels combined. A further factor is CRR, a condition of the merger, which ties the ITV1 share of the total UK TV advertising market to the ITV1 SOCI. We are working towards a review of the CRR mechanism and are in dialogue with the relevant regulatory bodies.

The UK advertising market weakened towards the end of the second quarter of the year with June down 6% despite the football World Cup 2006. ITV1 outperfomed its CRR position in June and thus tracked in line with the market. We saw particularly strong performances from retail, cars and finance who traditionally advertise around major sporting events but weaker sectors included food, cosmetics, toiletries and telecoms. NAR for ITV's digital channels was up 46% at £70 million in the first half and sponsorship up 21% at £23 million.

We continue to believe that television advertising is a very attractive market in which to operate and one in which ITV1 and our family of digital channels have a competitive advantage. In an era of increasing choice, television is, more than ever, key to building enduring consumer brands. Television has been less affected than some other traditional media and evidence suggests that internet advertising substitutes radio and press rather than television. With ITV1 we can offer advertisers the sole deliverer of true mass audience. ITV1 broadcast 93% of programmes attracting more than four million viewers in 2005. Our digital channels hold the highest share of viewing of any commercial digital channel family and were responsible for 29% of total multichannel impact growth in the first half of the year.

ITV is able to offer advertisers bespoke multimedia brand solutions across our channels and different platforms. We have seen strong growth in new areas across the Group with interactive up 86% in the first half. We have developed new analytical tools which enable us to maximise promotional effectiveness and offer valuable viewer and customer insight.

Channels

Channels is focused on strengthening the ITV1 schedule and building a portfolio of digital channels.

In the first half of 2006 ITV1 was home to more new programmes rating over five million viewers than all other channels combined. These included Wild at Heart, Lewis and Dancing on Ice which achieved over 10 million viewers.

In addition, the football World Cup was extremely popular with viewers, particularly with the valuable 16–34 year old male demographic, with audiences peaking at over 20 million viewers.

We believe that there are a number of opportunities to improve on screen performance through programming revitalisation, PSB modernisation and schedule efficiency. We have rebuilt our commissioning team, appointing 12 new, highly experienced commissioners and expect to see the initial results from the new commissioning team come through in Autumn 2006. ITV1 has already seen exciting talent such as Billie Piper and Trinny and Susannah join the channel and will launch new comedy and entertainment series and more contemporary iconic drama. In the next few years there are factors which will affect this measure including the rate of change in ITV's Public Service Broadcasting obligations, the speed of digital take up and equalisation of advertising minutage with other channels. The target is based on ITV maintaining expenditure levels on programming.

Channels will improve schedule efficiency through increasing effective spend with the "Smart Buying" initiative across all our channels. ITV channels will continue to spend c.£1 billion per annum over the next three years but retain flexibility to shift spend between the digital channels and ITV1. We announced that we would increase programming spend by investing an additional £20 million in the digital channels in 2007 reflecting their strong growth profile. This additional investment will allow us to drive organic growth in our channels with more original commissions, series, sport and movies. An additional channel ITV2+1 (ITV2's schedule broadcast an hour later) will launch towards the end of 2006, so that viewers can catch up with their favourite programmes on ITV2.

PSB commitments represent almost a third of ITV1's schedule but only 11% of ITV1's impacts. Currently our ITV1 PSB slots are targeted by competitors with commercially attractive programming. We believe that there are opportunities in the medium term to modernise our PSB commitments including, for example, adjusting the balance of children's programming across ITV1 and our newly launched CITV channel; available to 90% of families with children.

Across all the ITV Channels (excluding GMTV) the adult SOCI in the first half of 2006 was 40.2% (compared to 42.2% in the first half of 2005). GMTV SOCI in the first half of 2006 was 2.5%.

Production

ITV's content business is a key part of the Company as an integrated producer-broadcaster. We have creative development targeted specifically at the needs of the ITV schedule. By creating content ITV retains the production margin in-house, has the ability to hold and exploit rights associated with our valuable programme brands, reduces exposure to programme price inflation and secures access to key programmes and talent. We have seen particularly strong growth within the production business outside of ITV supply with revenues up 9% in the first half of the year.

ITV Productions has continued to provide the ITV Channels with the most creative programmes of scale and excitement including the highly successful Dancing on Ice and Soapstar Superstar. They also continue to be the most cost effective provider of successful commercial shows. Critically acclaimed programmes produced for other channels include The Street for BBC1 and popular programmes include Brainiac for Sky and Countdown for Channel 4.

Following an extensive strategic review, the team has put a number of less commercially attractive genres under review and has made the decision to exit Wildlife and Children's Drama where operating margins are low.

We believe that ITV has a significant growth opportunity with both International Production and International Distribution and Exploitation. Our International Production growth strategy uses a combination of:

- rapid exploitation of programmes made by ITV Productions for ITV into new territories, such as Hell's Kitchen (US version);
- producing original shows, which can be distributed worldwide, such as Nanny 911 (now also shown on ITV2); and
- using local market knowledge (combined with rapid access to new concepts and formats from the UK) to create programming such as ITV Play participation TV.

Using this strategy our US Production business has grown by 138% during the past three years and had series aired across five networks in one year. These included Gameshow Marathon for CBS, Wallet Roulette for ABC, Poor Little Rich Girls for WB, Hit Me Baby One More Time for NBC and both Nanny 911 and Hell's Kitchen for Fox. We are also working for the cable networks and have a number of shows available for syndication for 2007. Syndication is the sale of the right to broadcast programmes to multiple television stations, without going through a broadcast network. It is common in the US where television is organised around networks with local affiliates, unlike Europe which has mainly centralised networks without local affiliates.

ITV Worldwide's International Distribution and Exploitation team has a rich mix of programming assets with a substantial amount of owned UK product and also our international productions, film libraries and third party assets from both the UK and international producers. In the first half revenues in this area were up 8%. There is significant potential for growth through both extracting more value from our assets, for instance across different digital platforms with the digitisation of our library, and by attracting more assets to offer to our customers from the large number of UK and US independent producers.

Consumer

The Consumer team was established to build businesses which create and monetise direct consumer relationships, exploiting ITV's unique brand and content assets and utilising our cross-promotional capabilities. ITV Consumer is active in four main areas – transactional, mobile, broadband and other platforms and in the first half revenue was up over 300% at £69 million including Friends Reunited.

ITV Play Our interactive participation TV format, ITV Play was launched as a channel on 19 April 2006 initially on Freeview and is now available on satellite. ITV Play is also streamed over broadband and broadcasts during the night time slots on ITV1 and ITV2. Despite only launching a short time ago ITV Play is already the market leader in the participation TV field and we expect it to contribute £20 million of profit in its first full year. Formats include Rovers Return Quiz Night with an innovative mass participation telephone system allowing many viewers to play along together.

ITV Mobile ITV Mobile was launched to consumers in June with an on-air promotional campaign which generated an immediate uplift in both traffic and transactions. ITV Mobile has unique content to target all demographics from the nation's best loved ITV programmes as well as ringtones and other content from third party suppliers to improve the choice offered to our customers and to grow revenues. We will maximise distribution of ITV Mobile by making it available on the mobile operators' portals over the coming year.

We see growing consumer demand for full channel access via mobile. We have agreed to make our channels available on 3G, initially through 3, the largest operator.

Broadband Broadband has achieved mass reach with penetration expected to reach 70% of homes by 2010. With speeds increasing, broadband is now a viable platform for TV channels and TV content and also presents significant opportunities to drive display and classified advertising. ITV's broadband proposition has three key elements – ITV Local, which has completed a trial phase in the Meridian region and we are beginning the national roll out, Friends Reunited and ITV.com.

ITV Local is our broadband proposition which is designed to capitalise on our regional presence across the UK targeting the local display and classified advertising market. It offers streamed TV with news and local interest programming as well as providing a vehicle for locally produced User Generated Content and local comment. We offer local dating and jobs and are reviewing other propositions such as property advertising.

Friends Reunited, the UK's largest online community website, is a high margin business made up of four distinct, high growth businesses – reunion, jobs, dating and genealogy. Some initial promotion on ITV channels has already driven strong performance and Friends Reunited represents the cornerstone of ITV's online presence. The next planned phase of development will increase the integration with ITV Broadband including advertising sales, database leverage and targeted promotion of ITV programming and services.

ITV Consumer is currently developing the next phase of ITV.com to be rolled out in the first quarter of 2007. This re-engineered broadband offering will allow the Company to capitalise on new opportunities including streaming of ITV channels, catch-up and preview of ITV's valuable programme assets and other transactional revenues.

Freeview ITV has a key role in the marketing and development of the Freeview platform which is forecast to be the UK's largest digital TV platform by the end of 2006 with well over eight million homes. Freeview has just announced the launch of the Freeview Playback brand for the marketing of standardised DTT boxes with a Personal Video Recorder. ITV is also involved in the DTT High Definition technical trial in London which has used ITV content including World Cup matches. Through our ownership of SDN, and by virtue of its Channel 3 licences, ITV now operates 38% of the commercial DTT bandwidth and has opportunity to access DTT capacity on a long-term basis. Between 2008 and 2010 a number of the increasingly valuable videostreams on SDN are due for renewal which should significantly raise SDN's revenue.

Outlook

Whilst our businesses outside ITV1 NAR are continuing to grow strongly, the combined effect of CRR and the acknowledged weakness in the advertising market over this summer is reducing our overall NAR estimate for ITV plc to –14% in the quarter to September. This partly reflects ITV1 having significantly outperformed the CRR position in the first half of the year and a rebalancing now taking place. Over the nine months to September 2006 we estimate that our overall NAR for ITV plc will be 8% lower than in the same period in 2005. Our production business has a strong delivery slate over the second half and we look forward to good programme schedules across our channels in the important Autumn season.

I have enjoyed enormously my 15 years with Granada and ITV and especially in creating a single ITV Company and shaping the nation's number one commercial broadcaster as a major player in the digital age. Over that time I have worked with the most talented and creative people in the industry and am pleased that so many of them are now in the strong management team that is implementing our strategy to develop ITV's businesses for the future. I am particularly proud of the work that my colleagues have done in creating one of the top production companies in Europe, building the leading commercial family of digital channels, creating the foundations of our consumer business and building confidence in our national and regional news. I have made many friends amongst my colleagues and I wish them all the best for the future. My focus now is to support John and the Board through the transition process, following which I will move forward to the next chapter of my life and a new set of challenges.

I would like to finish by joining Sir Peter Burt and the rest of the Board in thanking employees for their continuing work and dedication in promoting our core businesses, developing new, exciting programming and growing our consumer businesses.

Charles Allen CBE
Chief Executive

Financial review

Results for the six months ended 30 June 2006

Operating profit for the period increased by 9% to £163 million (2005: £150 million) with operating profit before amortisation, exceptional items and disposed businesses up 1% at £205 million (2005: £202 million), or £202 million (2005: £201 million) including the businesses sold. Profit before tax increased by 12% to £173 million (2005: £154 million) with the benefit of net gains from the disposal of businesses and investments.

Tax was charged on profits before amortisation and exceptional items at an effective rate of 28% (2005: 28%).

Basic earnings per share were up 7% at 2.9 pence (2005: 2.7 pence). Adjusted basic earnings per share before amortisation and exceptional items were 3.4 pence (2005: 3.5 pence).

Revenue

Revenue for the six months to 30 June 2006 was up 3% at £1,077 million (2005: £1,049 million). The increase in revenue reflects a decrease in Net Advertising Revenue (NAR) of 4% to £752 million (2005: £786 million) with lower ITV1 NAR being partially offset by increases from the digital channels as follows:

	2006 £m	2005 £m	Change %
ITV1	**654**	710	(8)
ITV2, ITV3, ITV4, ITV News Channel, M & M, CITV	**70**	48	46
GMTV	**28**	28	–
Total NAR	**752**	786	(4)

Other revenue increases have exceeded the decline in NAR. The main sources of these increases include contributions from newly developed businesses such as ITV Play (£27 million) and a first time contribution from Friends Reunited (£8 million), while revenue from SDN increased by £9 million reflecting a full six months contribution. Businesses sold in the period contributed £8 million of turnover in 2006 compared to £19 million in 2005.

Operating profit

Operating profit of £163 million represents a 9% increase over 2005 (£150 million).

Operating profit was reduced by exceptional costs principally relating to the private equity approach made for the Group in March 2006, but benefited from a reduction in amortisation costs of £22 million to £28 million (2005: £50 million) and a reduction in the accrual relating to airtime deliveries of £8 million. Included within operating profit are losses of £3 million in respect of the disposed businesses 021 and Granada Learning incurred during the period up to disposal. In the six months ended 30 June 2005 these businesses made losses of £1 million.

Dividend

The interim dividend is increased by 2% to 1.35 pence per share (2005: 1.32 pence). This is covered 2.52 times (2005: 2.65 times) by the adjusted earnings per share (before amortisation and exceptional items) of 3.4 pence (2005: 3.5 pence).

Disposal of businesses and investments

During the period, as part of the ongoing process to dispose of non-core businesses and investments, the Group sold 021 and Granada Learning and its investment in Seven Network. The disposal of the 021 business for £4 million resulted in a nil gain or loss being booked. The sale of Granada Learning took place in April for a potential maximum consideration of £53 million. This comprises £17.5 million in cash, £17.5 million in loan notes and a further £18 million which is contingent upon the future performance of the business. The fair value of expected proceeds has been taken as £31 million for accounting purposes resulting in a £12 million loss on disposal. The interest in Seven Network was sold for total consideration of £87 million resulting in a profit of £29 million booked through the income statement.

Net debt

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

	£m	£m
Net debt at 31 December 2005		(481)
Cash generated from operations	169	
Net interest paid	(15)	
Taxation paid	(45)	
Equity dividends paid	(61)	
Expenditure on property, plant and equipment less proceeds from disposals	(49)	
Proceeds from sale of businesses and investments	108	
Other movements	(30)	
		77
Share buyback		(86)
Defined benefit pension deficit funding		(207)
Net debt at 30 June 2006		(697)

Cash generated from operations was £169 million (2005: £196 million) and was down on the prior period due to a working capital outflow of £35 million. In 2005 the working capital benefited by £34 million from the exercise of a currency option hedging the Exchangeable Bond.

Net interest paid on the Group's net debt position was £15 million. Taxation paid reflects payments on account during the period. The 2005 interim dividend of £54 million was paid at the start of the period and along with a £7 million payment for the dividend reinvestment plan (in respect of the 2005 final dividend) gives a £61 million outflow. Expenditure on property, plant and equipment less proceeds from disposals totalled £49 million. During the period the Group bought three properties that were previously held under long-term leases with the intention of subsequently disposing of them. Two of these are shown in the balance sheet as assets held for sale while the third does not meet the criteria for classification at the half year. Cash from the sale of 021 (£4 million), Granada Learning (£17.5 million) and the investment in Seven Network (£86 million) totalled £108 million. As detailed below, the plan to return cash to shareholders was started during the period with £86 million being returned through share buybacks and defined benefit pension scheme funding payments of £207 million were made in the period.

Refinancing of debt due in 2007

At 30 June 2006 the Group's balance sheet shows a net current liabilities position compared to a net current assets position at 31 December 2005. This results from a reduction in the cash balance as set out in the cash flow statement combined with £200 million of the Group's borrowings (with a fair value of £204 million) now being classified as current. Two of the Group's bonds (€356 million Exchangeable Bond and £200 million Eurobond) mature in the first half of 2007. In order to meet these commitments the Group has extended the existing £450 million bank facility to June 2011 and a new £550 million 364 day bank facility, with a one year term-out option, maturing in June 2008 has been signed and is planned to be refinanced in the capital markets.

Pensions

During the period the Group completed its planned £325 million of funding for the Group's defined benefit pension schemes as part of a plan to address the deficit. An initial £118 million had been paid in December 2005 and the balance of £207 million was paid in January and February 2006.

Return of cash to shareholders

As discussed in the Chairman's statement the Group announced it was increasing the cash return to shareholders to £500 million following a review of the Group's capital structure. This process has been started through an on-market buyback and at 30 June 2006 a total of 81 million shares had been purchased at a cost of £86 million. The closed period runs from 1 July 2006 to the results announcement following which the process to return cash to shareholders will be continued.

Consolidated income statement

For the six months ended 30 June:	Note	2006 £m	2005 Restated £m
Group and share of joint ventures' revenue		**1,110**	1,078
Less share of joint ventures' revenue		**(33)**	(29)
Revenue		**1,077**	1,049
Operating costs before amortisation of intangible assets and exceptional items		**(875)**	(848)
Operating costs – exceptional items	1	**(11)**	(1)
Earnings before interest, tax and amortisation (EBITA)		**191**	200
Amortisation of intangible assets	5	**(28)**	(50)
Total operating costs		**(914)**	(899)
Operating profit		**163**	150
Financing income		**81**	63
Financing costs		**(98)**	(74)
Net financing costs		**(17)**	(11)
Share of profit of associates and joint ventures		**4**	4
Investment income		**2**	2
Gain on sale of property		**4**	9
Gain on sale of businesses and investments (exceptional items)	1	**17**	–
Profit before tax		**173**	154
Taxation		**(52)**	(43)
Profit for the period		**121**	111
Attributable to:			
Equity shareholders of the parent company		**120**	109
Minority interests		**1**	2
Profit for the period		**121**	111
Basic earnings per share	2	**2.9p**	2.7p
Diluted earnings per share	2	**2.9p**	2.7p

All results are from continuing operations.

Dividends paid during the period and shown in the cash flow statement totalled £61 million (2005: £45 million). Subsequent to the balance sheet date the Company has declared a dividend in respect of the six months ended 30 June 2006 of 1.35 pence (six months ended 30 June 2005: 1.32 pence) per ordinary share which, based on the shares in issue on 30 June 2006, totals £55 million (six months ended 30 June 2005: £54 million).

Consolidated statement of recognised income and expense

For the six months ended 30 June:	2006 £m	2005 £m
Exchange differences on translation of foreign operations	**(2)**	(1)
Movements in respect of cash flow hedges	**–**	(2)
Revaluation of available for sale investments	**(7)**	5
Disposal of available for sale investments	**(29)**	–
Net (expense)/income recognised directly in equity	**(38)**	2
Profit for the period	**121**	111
Total recognised income and expense for the period	**83**	113
Attributable to:		
Equity shareholders of the parent company	**82**	111
Minority interests	**1**	2
Total recognised income and expense for the period	**83**	113

Consolidated balance sheet

	Note	30 June 2006 £m	31 December 2005 Restated £m	30 June 2005 Restated £m
Non-current assets				
Property, plant and equipment		**250**	235	240
Intangible assets	5	**3,919**	3,947	3,909
Investments in joint ventures and associates	7	**97**	93	85
Equity investments	8	**85**	181	170
Distribution rights		**15**	13	16
Deferred tax asset in respect of pension scheme deficits		**96**	160	204
Other deferred tax balances		**(52)**	(86)	(144)
Net deferred tax asset		**44**	74	60
		4,410	4,543	4,480
Current assets				
Assets held for sale		**19**	63	–
Programme rights and other inventory		**377**	388	321
Trade and other receivables due within one year		**358**	362	356
Trade and other receivables due after more than one year		**22**	7	10
Trade and other receivables		**380**	369	366
Cash and cash equivalents	9	**439**	663	415
		1,215	1,483	1,102
Current liabilities				
Liabilities held for sale		**–**	(9)	–
Borrowings	9	**(490)**	(288)	(250)
Trade and other payables due within one year		**(681)**	(734)	(622)
Trade and other payables due after more than one year		**(4)**	(4)	–
Trade and other payables		**(685)**	(738)	(622)
Current tax liabilities		**(195)**	(217)	(221)
Provisions		**(22)**	(23)	(28)
		(1,392)	(1,275)	(1,121)
Net current (liabilities)/assets		**(177)**	208	(19)
Non-current liabilities				
Borrowings	9	**(646)**	(856)	(549)
Defined benefit pension deficit		**(320)**	(532)	(679)
Other payables		**(29)**	(29)	(6)
Provisions		**(9)**	(29)	(41)
		(1,004)	(1,446)	(1,275)
Net assets		**3,229**	3,305	3,186
Attributable to equity shareholders of the parent company				
Share capital	10	**405**	423	423
Share premium	10	**120**	98	94
Merger and other reserves	10	**2,686**	2,666	2,666
Translation reserve	10	**(1)**	(1)	(3)
Available for sale reserve	10	**(5)**	33	18
Retained earnings	10	**17**	74	(22)
Total attributable to equity shareholders of the parent company	10	**3,222**	3,293	3,176
Minority interest	10	**7**	12	10
Total equity	10	**3,229**	3,305	3,186

Consolidated cash flow statement

For the six months ended 30 June:	2006 £m	2006 £m	2005 £m	2005 £m
Cash flows from operating activities				
Operating profit before exceptional items	174		151	
Depreciation of property, plant and equipment	15		15	
Amortisation of intangible assets	28		50	
Movement in working capital	(35)		1	
Cash generated from operations before exceptional items		182		217
Cash flow relating to exceptional items:				
Operating loss	(11)		(1)	
Increase in receivables	–		(11)	
Decrease in payables and provisions*	(2)		(9)	
Cash outflow from exceptional items		(13)		(21)
Cash generated from operations		169		196
Defined benefit pension deficit funding	(207)		–	
Interest received	9		7	
Interest paid on bank and other loans	(22)		(20)	
Interest paid on finance leases	(2)		(2)	
Investment income	2		2	
Taxation paid	(45)		(66)	
		(265)		(79)
Net cash (used in)/from operating activities		(96)		117
Cash flows from investing activities				
Acquisition of subsidiary undertakings, net of cash and cash equivalents acquired, and debt repaid on acquisition	–		(136)	
Proceeds from sale of property, plant and equipment	6		23	
Acquisition of property, plant and equipment	(55)		(16)	
Acquisition of investments	–		(30)	
Proceeds from sale of businesses	22		5	
Proceeds from sale of investments	86		–	
Net cash from/(used in) investing activities		59		(154)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital	–		46	
Purchase of US held shares	–		(42)	
Share buyback	(86)		–	
Purchase of own shares via employee benefit trust	(26)		–	
Bank and other loans – amounts repaid	(4)		(88)	
Capital element of finance lease payments	(2)		(2)	
Dividend paid to minority interest	(6)		–	
Equity dividends paid	(61)		(45)	
Net cash used in financing activities		(185)		(131)
Net decrease in cash and cash equivalents		(222)		(168)
Cash and cash equivalents at 1 January		663		582
Effects of exchange rate changes and fair value movements on cash and cash equivalents		(2)		1
Cash and cash equivalents at 30 June		439		415

*Includes £2 million (2005: £6 million) relating to expenditure against provisions held in respect of activities which have been previously discontinued.

Notes to the accounts

1 Exceptional items

For the six months ended 30 June:	2006 £m	2005 £m
Operating items:		
Reorganisation and integration costs	(2)	(12)
Costs associated with private equity approach	(11)	–
Receipt from the liquidators of Shop! (2005: ONdigital)	2	11
	(11)	(1)
Non-operating items:		
Profit on sale of investment in Seven Network (see note 8)	29	–
Loss on disposal of Granada Learning (see note 6)	(12)	–
Gain on sale of businesses and investments	17	–
Total exceptional items	6	(1)

2 Earnings per share

	2006		2005	
For the six months ended 30 June:	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit for the period attributable to shareholders	120	120	109	109
Exceptional items (including related tax effect of £5 million, 2005: £nil)	(1)	(1)	1	1
Profit before exceptional items	119	119	110	110
Amortisation of intangible assets (including related tax effect of £8 million, 2005: £15 million)	20	20	35	35
Profit for the financial period before exceptional items and amortisation of intangible assets	139	139	145	145

Weighted average number of shares in issue – million	4,105	4,105	4,075	4,075
Dilution impact of share options – million	–	36	–	49
	4,105	4,141	4,075	4,124
Earnings per ordinary share	2.9p	2.9p	2.7p	2.7p
Adjusted earnings per share				
Basic earnings per share	2.9p	2.9p	2.7p	2.7p
Add: Earnings/(loss) per share on exceptional items	–	–	–	–
Earnings per share before exceptional items	2.9p	2.9p	2.7p	2.7p
Add: Loss per ordinary share on amortisation of intangible assets	0.5p	0.5p	0.8p	0.8p
Earnings per share for the period before exceptional items and amortisation of intangible assets	3.4p	3.4p	3.5p	3.5p

All profits arise from continuing operations. An adjusted earnings per share has been disclosed because in the view of the directors this gives a fairer reflection of the results of the underlying business.

3 Dividends

Dividends are recognised in equity during the period in which they are declared. Dividends recognised in equity for the six months ended 30 June 2006 total £74 million (six months ended 30 June 2005: £53 million) and represent the 2005 final dividend declared by the Company on 8 March 2006 (six months ended 30 June 2005: 2004 final dividend declared on 9 March 2005).

Subsequent to the balance sheet date the Company has declared a dividend in respect of the six months ended 30 June 2006 of 1.35 pence (six months ended 30 June 2005: 1.32 pence) per ordinary share which, based on the shares in issue on 30 June 2006, totals £55 million (six months ended 30 June 2005: £54 million) which will be paid on 8 January 2007 to shareholders on the register at 10 November 2006. The ordinary shares will be quoted ex-dividend from 8 November 2006.

4 Segmental analysis

The Group has one main producer/broadcaster reportable business segment. This segment includes all activities related to the production and broadcasting of television programmes and channels, including the exploitation of related rights and assets. Any activities falling outside of this main segment are grouped together as other operations.

	Producer/broadcaster		Other operations		Consolidated	
:	2006 £m	2005 restated £m	2006 £m	2005 £m	2006 £m	2005 restated £m
Segment revenue	1,026	1,006	51	43	1,077	1,049
Segment result	161	149	2	1	163	150

5 Intangible assets

	Goodwill £m	Brands £m	Licences £m	Customer contracts and relationships £m	Film libraries and other £m	Total £m
Cost						
At 31 December 2005	3,425	199	121	336	78	4,159
Additions	–	–	–	–	–	–
At 30 June 2006	**3,425**	**199**	**121**	**336**	**78**	**4,159**
Amortisation						
At 31 December 2005	–	32	11	158	11	212
Charge for period	–	9	5	11	3	28
At 30 June 2006	**–**	**41**	**16**	**169**	**14**	**240**
Net book value						
At 30 June 2006	**3,425**	**158**	**105**	**167**	**64**	**3,919**
At 31 December 2005	3,425	167	110	178	67	3,947

6 Disposal of businesses

During the period the Group disposed of 021 and Granada Learning. 021 was sold for proceeds of £4 million and resulted in a nil gain or loss on disposal. Granada Learning was sold for consideration consisting of cash (£17.5 million), loan notes (£17.5 million) and deferred consideration (up to £18 million) with a total fair value of £31 million. An accounting loss of £12 million has been booked on disposal.

7 Investments in joint ventures and associates

	Joint ventures £m	Associated undertakings £m	Total £m
At 31 December 2005	60	33	93
Share of attributable profits	2	2	4
At 30 June 2006	**62**	**35**	**97**

8 Equity investments

	£m
At 31 December 2005	181
Disposals	(90)
Revaluation to fair value	(6)
At 30 June 2006	**85**

During the period the Group disposed of its investment in Seven Network for proceeds of £87 million resulting in a profit of £29 million being booked through the income statement.

9 Analysis of net debt

	31 December 2005 Restated £m	Net cash flow £m	Currency and non-cash movements £m	**30 June 2006 £m**
Cash	522	(197)	–	**325**
Cash equivalents	141	(25)	(2)	**114**
Cash and cash equivalents	663	(222)	(2)	**439**
Loans and loan notes due within one year	(285)	4	(207)	**(488)**
Finance leases due within one year	(3)	2	(1)	**(2)**
Loans and loan notes due after one year	(781)	–	209	**(572)**
Finance leases due after one year	(75)	–	1	**(74)**
	(1,144)	6	2	**(1,136)**
Net debt	(481)	(216)	–	**(697)**

Included within cash equivalents is £76 million (31 December 2005: £78 million) the use of which is restricted to meeting finance lease commitments.

10 Consolidated statement of changes in equity

	Attributable to equity shareholders								
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	**Total £m**	Minority interest £m	**Total equity £m**
At 31 December 2005	423	98	2,666	(1)	33	74	**3,293**	12	**3,305**
Share buybacks	(8)	–	8	–	–	(86)	**(86)**	–	**(86)**
Shares issued in the period	2	22	–	–	–	–	**24**	–	**24**
Cancellation of convertible shares	(12)	–	12	–	–	–	**–**	–	**–**
Total recognised income and expense	–	–	–	–	(38)	120	**82**	1	**83**
Movements due to share based compensation	–	–	–	–	–	(17)	**(17)**	–	**(17)**
Dividends paid to minority interests	–	–	–	–	–	–	**–**	(6)	**(6)**
Equity dividends	–	–	–	–	–	(74)	**(74)**	–	**(74)**
At 30 June 2006	**405**	**120**	**2,686**	**(1)**	**(5)**	**17**	**3,222**	**7**	**3,229**

	Attributable to equity shareholders								
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
1 January 2005	422	91	2,666	(2)	13	(85)	3,105	8	3,113
Cancellation of shares	(3)	(39)	–	–	–	–	(42)	–	(42)
Shares issued in the period	4	42	–	–	–	–	46	–	46
Total recognised income and expense	–	–	–	(1)	5	107	111	2	113
Movements due to share based compensation	–	–	–	–	–	9	9	–	9
Equity dividends	–	–	–	–	–	(53)	(53)	–	(53)
At 30 June 2005	423	94	2,666	(3)	18	(22)	3,176	10	3,186

11 Basis of preparation

This interim financial information has been prepared under the same accounting policies and methods of computation as applied in the Group's most recent annual report dated 31 December 2005 except where specified below.

During the period the Group has reviewed its revenue recognition policy for premium rate telephony services recognising the increasing significance of this revenue stream. The Group's policy has consequently been revised to reflect revenue as the amount billed net of operator costs. Previously revenue was shown net of other costs, such as production costs, in addition to operator costs. The impact on the 2005 comparative is to increase revenue and operating costs by £5 million. There is no impact on either profit or balance sheet. Similarly for 2006 revenue and operating costs are £7 million higher than they would have been under the old accounting policy.

At 31 December 2005, the Company had outstanding an unsecured €356 million Exchangeable Bond which matures in January 2007. The Exchangeable Bond can be exchanged at any time at the option of investors for shares in Thomson SA at an exchange rate of €41.2 per share. At 31 December 2005 the Thomson share price was €17.7, having traded below €24 since August 2002. Independent market estimates were that the Thomson share price would not recover to the conversion price by January 2007. The Company therefore took the view that the possibility of exchange before January 2007 was remote and classified the Exchangeable Bond as a loan repayable between one and two years in the December 2005 balance sheet. As the bond reaches ultimate maturity in January 2007, it has been classified as a current liability in the balance sheet at 30 June 2006. IAS 1.60(d) states that – "a liability shall be classified as current when the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date". Although, as explained above, it is very unlikely that any bondholder would exercise its option before January 2007, bondholders can technically exercise that right at any time. Therefore the Company does not have an unconditional right to defer settlement. Accordingly the Company has reclassified the liability as current in its balance sheets as at 31 December 2005 (£245 million) and 30 June 2005 (£240 million).

For the purposes of interim reporting the defined benefit pension schemes' key assumptions and asset values have been reviewed to assess whether material net actuarial gains and losses have occurred during the period. While there have been movements in the key underlying assumptions and asset values during the period, the net effect is such that no material change to the pensions deficit would be expected if a formal revaluation were to be carried out. As such no revaluation has taken place at the reporting date and no actuarial gains and losses have been recognised through the statement of recognised income and expense. A full valuation will take place at 31 December 2006 in accordance with IAS 19.

The comparative information at 30 June 2005 and 31 December 2005 is abridged and therefore not ITV plc's statutory accounts for those periods. The accounts for the year ended 31 December 2005 have been reported on by ITV plc's auditor. The report of the auditor was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. This is a statutory disclosure required by the Companies Act 1985.

Independent review by KPMG Audit Plc to ITV plc

Introduction
We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises of the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London
9 August 2006

Shareholder information

Registrars and transfer office

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone 0870 162 3100 from the UK and +44 20 8639 2157 from outside the UK. Alternatively you could email them at: ssd@capitaregistrars.com.

Shareholders who receive duplicate sets of company mailings because they have multiple accounts should write to the registrar to have the accounts amalgamated. By logging on to www.capitaregistrars.com and selecting online Shareholders Services you can benefit from a number of online services as follows:

- View share price and current value of shareholding.
- View shareholding details.
- View share transaction history.
- View details of dividends paid.
- Apply/change dividend mandate instruction.
- Apply/change dividend reinvestment plan mandate.
- Change registered postal address.
- Proxy voting.
- Register an email address to receive future shareholder communications and reports via the Internet rather than by post.

You will need your investor code (IVC) which can be found on your share certificate(s).

Share dealing services

The Company has established the following share dealing services:

Capita - a telephone and online share dealing service for UK resident shareholders. To use this service shareholders should contact Capita Share Dealing on 0870 458 4577 or visit www.capitadeal.com.

Hoare Govett - a low-cost postal dealing service. To use this service shareholders should contact Hoare Govett Limited, Low-cost Share Dealing Department. For details, telephone 020 7661 6616 (Purchases) or 020 7661 6617 (Sales).

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 calling 020 7828 1151 or from www.sharegift.org.

Share price information

The current price of ITV plc ordinary shares is available on Ceefax, Teletext, FT Cityline (operated by the Financial Times), telephone 0906 843 2753 and on the Company website.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan to provide UK shareholders with a facility to invest cash dividends by purchasing further ITV plc shares. Further details are available from the registrar.

Individual Savings Accounts (ISAs)

The Company has corporate sponsored Maxi and Mini ISAs. The ISAs offer UK resident shareholders a simple low-cost and tax efficient way to invest in ITV plc ordinary shares. Full details together with a form of application are available from HSBC Trust Company (UK) Limited, Corporate PEPs & ISAs, 1st Floor, Courtwood House, Silver Street Head, Sheffield, S1 2BH. Telephone 0845 745 6123 (Textphone 08457 660391).

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 contact The Unclaimed Assets Register, Bain House, 16 Connaught Place, London W2 2ES. Telephone 0870 241 1713, email search@uar.co.uk or visit 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 at www.mpsonline.org.uk or request an application form by calling 0845 703 4599. MPS will then notify the bodies that support its service that you do not wish to receive unsolicited mail.

Financial calendar
Full year results announcement March 2007
Annual General Meeting 17 May 2007

Dividends

Interim Dividend 2006	
Ex-dividend date	Wednesday 8 November 2006
Record date	Friday 10 November 2006
Final date for return of DRIP mandate forms	Thursday 14 December 2006
Payment date and DRIP purchase	Monday 8 January 2007
Certificates posted and Crest accounts credited	Friday 19 January 2007

The Company has introduced consolidated tax vouchers. Shareholders will receive a single tax voucher each year, normally sent in March in time for the tax year end, containing details of dividends paid in that tax year. If you would prefer to receive a tax voucher for each dividend payment please contact the registrar.

Board of Directors

Chairman
Sir Peter Burt

Chief Executive
Charles Allen

Finance Director
John Cresswell

Non-executive Directors
Mike Clasper
Sir James Crosby
John McGrath
Sir Robert Phillis
Sir Brian Pitman
Baroness Usha Prashar
Sir George Russell - Deputy Chairman and senior independent director

Registered office
ITV plc
The London Television Centre
Upper Ground
London SE1 9LT
Telephone 020 7620 1620
Company registration number 4967001

Company website
Investor and shareholder related information can be found on the Company website at www.itvplc.com.

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Investors: www.itvplc.com