UTV Media plc

Report & Accounts 2008

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Summary of Results

John B McGuckian
Chairman

Financial highlights on continuing operations

- Group turnover up 6% to £120.3m (2007: £113.8m)
- Pre-tax profits before exceptional items of £20.3m (2007: £20.8m)
- Group operating profit, including associates, is £28.1m (2007: £28.1m)
- Radio operating profit, including income from associates, up 12% to £18.5m (2007: £16.6m) accounting for 66% of total
- Television operating profits down 24% to £7.7m (2007: £10.1m)
- New Media operating profits up by 44% to £2.0m (2007: £1.4m)
- Anticipated cost savings of £5m in 2009
- Exceptional costs before tax of £4.5m (2007: £1.0m)
- Final dividend of 2.00p (2007: 8.30p) resulting in a full year dividend of 5.30p (2007: 13.50p)
- Raised a net £47.5m in a 2 for 3 rights issue
- New banking facilities totalling £95m and €50m in place through to July 2013

Operational highlights on continuing operations

- Tibus acquired on 12 February 2008 for £4.05m (including costs) and FM104 on 10 April 2008 for £43.6m (including costs)
- Radio revenue up by 13% to £70.8m (2007: £62.8m)
- GB Radio revenue marginally down to £45.9m (2007: £46.2m) but with talkSPORT revenue up by 6% to £22.7m (2007: £21.4m)
- Irish radio revenue up by 50% to £24.9m (2007: £16.6m) with like for like revenue growing by 1%
- Television advertising revenue reduced by 7% to £35.4m (2007: £38.2m)
- New media revenue up by 18% to £11.5m (2007: £9.8m)

Key dates

- 21 May 2009 – date of Annual General Meeting
- 29 May 2009 – record date for payment of dividends
- 15 July 2009 – payment of dividends

Chairman's Statement

UTV Board of Directors

Operating profit, including associates, before exceptional items was maintained at £28.1m.

Introduction

After delivering a strong first half year performance, it became apparent that market sentiment was becoming increasingly negative and your Board took early and decisive action to mitigate the impact of the consequent downturn in advertising revenue upon your company. We raised fresh equity through a rights issue and used the net proceeds to reduce our debt, which was re-financed through to 2013. We disposed of loss making businesses and implemented a rolling cost reduction programme, with every element of our cost base being subjected to continuous review and challenge. We swiftly and efficiently integrated our acquisitions in new media and Irish radio into our existing divisions, maximising operational efficiencies. And, in challenging market conditions, we again delivered revenue outperformance of our peer groups. These actions enabled us to achieve pre-exceptional, pre-tax profit from continuing operations of £20.3m, compared to £20.8m recorded in the previous year. While the exceptional costs of the measures we have taken have been fully provided for in 2008, the benefit of our actions will be realised from 2009 onwards.

Results from continuing operations

Group turnover increased by 6% to £120.3m (2007: £113.8m), driven by a £7.5m uplift due to our acquisitions in Irish radio and new media and also to a significant appreciation in the sterling value of our euro revenue and partially offset by a £3.3m reduction in television revenue.

Operating profit, including associates, before exceptional items was maintained at £28.1m (2007: £28.1m), with radio operating profit of £18.5m (2007: £16.6m) comprising 66% of the total. New media operating profit was also higher at £2.0m (2007: £1.4m) but television operating profit fell to £7.6m (2007: £10.1m).

After net interest charges of £8.1m (2007: £7.4m), and foreign exchange gain of £0.3m (2007 : £ 0.1m) pre-tax profit before exceptional items was down by 2% to £20.3m (2007 : £20.8m). Pre-tax exceptional costs on continuing operations of £4.5m (2007: £1.0m) comprised £2.4m in respect of redundancy payments, £0.7m in respect of the consolidation of radio operations and restructuring and £1.4m of debt finance costs. Net debt at 31 December was £107.6m (2007: £107.2m)

Dividend

In my Interim Statement, I indicated that in uncertain economic conditions it would be prudent to conserve cash but that a dividend policy incorporating a cover ratio in the range 1.75 – 2.0 times still seemed appropriate. Since that Statement, global economic conditions have deteriorated sharply and your Board believes that a more cautious approach should be adopted until some stability returns to the economy. Therefore, we are recommending a final dividend of 2.00p (2007: 8.30p), making a total for the year of 5.30p (2007: 13.50p). The final dividend will be paid on 15 July 2009 to all shareholders on the Register at the close of business on 29 May 2009. The Annual General Meeting will be held on 21 May 2009.

Radio

Revenue from continuing operations in our radio divisions increased by 13% during the year to £70.8m (2007: £62.8m), accounting for 59% of total group revenue. This increase was driven by our Irish radio operations which recorded a 50% improvement in revenue due to the acquisition of FM104 in Dublin and the effect of a more favourable euro exchange rate. Excluding these two factors, our Irish radio revenues were marginally up on the previous year. The same two factors, and also a reduction in losses at our new Belfast station to £0.5m (2007: £0.7m), boosted operating profits from our Irish radio stations by 54% to £8.0m (2007: £5.2m).

Revenue from continuing operations from our GB radio stations was marginally down at £45.9m (2007: £46.2m) but this significantly outperformed a market decline of 6%. talkSPORT's performance in this depressed marketplace was particularly impressive, recording a 6% improvement in revenue to £22.7m (2007: £21.4m). Revenue from continuing operations at our local radio stations was down by 6% to £23.2m (2007: £24.8m)

Chairman's Statement

which was broadly in line with the local radio market across the UK. Central FM, our start up radio station in Preston, came on air on 25 September 2008 and incurred an operating loss of £0.3m in the period to 31 December 2008. The performance of our GB radio stations was reviewed against the backdrop of the increasingly harsh macroeconomic conditions and, as a result, we decided to dispose of our radio stations in Dundee, Stockport, and Edinburgh. The combined pre-tax losses of those discontinued operations in the year was £1.5m (2007: £2.0m). Excluding those losses, operating profit from our GB radio stations was £10.5m (2007: £11.4m).

Television

The impact of the advertising downturn on television was exacerbated for the ITV 1 network by the damaging mechanism of Contract Rights Renewal. While the UK television market was 5% down, ITV 1 was down by 8%. Our television division again outperformed, but our advertising revenue was still down by 7%, or £3.2m, to £35.4m (2007: £38.2m). Cost reductions did help to offset some of the revenue loss, but television operating profit was down by 24% to £7.7m (2007: £10.1m).
An unwelcome, and unnecessary, distraction during the year was ITV plc's much publicised assertion that it was subsidising UTV, Scottish and Channel Television. We absolutely refuted this assertion and, along with Scottish Television, commissioned research which demonstrated that ITV plc's claim of subsidy was completely without merit. This research has been made available to Ofcom.

New Media

The acquisition of Tibus, a web development company, on 12 February 2008 was a key element of our strategy to refocus on content delivery and to improve margins in our new media business. Tibus has been successfully integrated into our new media business and has performed strongly in line with our expectations. With improved margins, revenue growth of 18% to £11.5m (2007: £9.8m) has delivered a 44% increase in operating profit to £2.0m (2007: £1.4m).

Cost reduction programme

I referred above to the measures which we have taken to mitigate the impact of the economic downturn. The severity of the recession requires a decisive response on costs, and the closure of loss-making businesses and the implementation of a radical cost-cutting plan are key elements of that response. We would expect that the actions we have taken will benefit pre-tax profit by some £5m in the current year.

Prospects

The sharp deterioration in the macroeconomic environment over the last few months has put considerable downward pressure on demand for advertising across all marketplaces. In the UK, in the first quarter of 2009 total television advertising is forecast to be down by 17% while the ITV 1 network is forecast to be down by 21%. Total UK radio advertising in the first quarter is forecast to be down by 23% with national advertising particularly poor at 28% down. Our revenue performance in the first quarter is forecast to be somewhat better than this, with our GB radio division recording a 15% decline while television is forecast to be down by 19%.

Trading outperformance has been at the heart of your company's success over the past few years and we continue to believe in our ability to maintain that outperformance.

Revenue in our Irish radio division is forecast to be down by 15% on a like for like basis in the first quarter. However, a favourable exchange rate and the inclusion of FM104 will result in a 35% increase in the forecast revenue for the first three months. Our new media division will record modest revenue growth in the first quarter.

Airtime bookings continue to be extremely short term and visibility, therefore, is very limited. However, the rate of decline is expected to decrease in the second half of the year when the comparative figures will be much softer. Trading outperformance has been at the heart of your company's success over the past few years and we continue to believe in our ability to maintain that outperformance.

People

I am very aware of the additional pressures which these extremely challenging times put on our Board, management and staff and, on your behalf, I wish to thank them for their continuing dedication and commitment to the company. I also wish to welcome Mr Shane Reihill, who joined the Board on 10 September 2008.

John B McGuckian
Chairman
30 March 2009

Business Review

John McCann
Group Chief Executive

After several years of substantial growth, talkSPORT's outperformance was particularly impressive, with revenue growing by 6% to £22.7m.

Radio GB

In a radio advertising market which was down by 6% in the year, our radio division in GB performed well, broadly maintaining revenue at £45.9m (2007: £46.2m). This division comprises talkSPORT, the national sports speech station and 15 Independent Local Radio (ILR) stations, as well as digital assets in England, Scotland and Wales. Strong content delivery and investment in people continued to be the cornerstones of our outperformance of the market.

talkSPORT

After several years of substantial growth, talkSPORT's outperformance was particularly impressive, with revenue growing by 6% to £22.7m (2007: £21.4m). New talent such as Stan Collymore, and Jeremy Kyle helped the station achieve its highest ever audience of 2.52m in 2008, its fifth consecutive year of growth. The demographics of that listenership were overwhelmingly male and more than half of the audience was in the affluent ABC1 socio-demographic subgroup. With more than 900,000 listeners being aged 15-34, the highest audience of this age group among all UK commercial stations, talkSPORT's ability to deliver efficient advertising on radio for focused led brands is unrivalled.

This audience delivery was further enhanced by the launch of our on-line talkSPORT magazine on 3 July 2008. A promotional tool for talkSPORT, but also offering advertisers a complementary medium for targeted advertising of their products, the magazine quickly achieved ABCe audited weekly readership of 152,000, making it one of the most read male magazines in the UK.

Local Radio

Our local radio stations also outperformed the UK radio advertising market, but revenue was still down by 6% in the year. With the market showing no signs of recovery, we reviewed the performance of each of our stations, assessing future growth potential and profitability. As a result we decided to dispose of our radio stations in Dundee, Stockport and Edinburgh. Total losses from those three stations in the periods to their disposal was £1.5m (2007: £2.0m).

To improve operational efficiency, we have co-located our finance and group services divisions in the North West and expect to complete the co-location of our Wigan, Warrington and Bolton radio stations in the summer.

We won the licence for a new radio station in Central Lancashire serving an available audience of 235,000. This station, Central FM, came on air on 25 September 2008 and in the period to 31 December 2008 incurred a loss of £0.3m. Our target for this station is to reach breakeven in its third year of operation.

We were surprised by C4's unilateral decision to withdraw from the consortium to operate a second national digital radio multiplex. As a minority shareholder in this consortium, we believe that C4's withdrawal undermined the proposed business model and as a consequence, Ofcom has been notified that the licence will not be taken up by the consortium. Nevertheless, we remain committed to the provision of digital radio services through our existing local multiplexes in England, Scotland and Wales.

First Radio Sales Ltd, a national sales house jointly owned by UTV and the Local Radio Company, represents the national airtime sales of 135 radio stations across the UK. In total, these stations reach 5.5 million adults each week, making up 12% of all commercial radio listening.

Radio Ireland

Our radio stations recorded 50% growth in revenue to £24.9m (2007: £16.6m) in 2008 despite trading conditions in Ireland being depressed.

The acquisition of FM104 in April 2008 and the much more favourable exchange rate accounted for almost all of this increase but, even excluding these factors, our Irish radio stations recorded modest like for like growth of 1%.

FM104 is the leading commercial radio station in the capital city of Dublin and, in the most recent research, achieved an audience share of 13%. Our existing radio station in Dublin, Q102, recorded an audience share of 7% and, given Q102's

Business Review

slightly older audience profile, perfectly complemented the younger audience of FM104. The combined shares of these two stations give us a significant position in the Dublin marketplace. Our two radio stations in Cork achieve a 48% share of the audience in Ireland's second city while our stations in Limerick, Dundalk and Drogheda are also the market leaders. Through our wholly owned sales house, now renamed UTV Radio Solutions, we are able to combine these substantial audience shares with those of Galway Bay FM and Beat FM to provide advertisers with an "urban access" package addressing a daily audience of 898,000 adults. Including the outside franchise area this audience is larger than that of the second RTE national channel 2FM, and of the other two independent national commercial channels, Today FM and Newstalk. Importantly also, advertisers are able to target substantial audiences in the key urban areas in Ireland.

The acquisition of FM104 with its market leadership in Dublin was critical to our ability to effectively market this "urban access" package. FM104's acquisition also prompted an evaluation of the merits of co-locating our two Dublin radio stations and our separate radio and television sales operations. The operational efficiencies which should flow from this are convincing and work is substantially complete in bringing these four entities together in Macken House in Dublin's redeveloped docklands area.

Television

In October 2009, UTV will celebrate 50 years as the Channel 3 licence holder in Northern Ireland. During that time it has grown into the leading television channel in the region with a 29% share of peaktime viewing, which is some 41% more than that of BBC Northern Ireland and almost 4 times the peaktime share of the next largest commercial television station, C4. UTV is also available in 72% of homes in the Republic of Ireland through terrestrial overspill and cable re-transmission, where its position as the fourth most watched television channel confirms its status as an all-Ireland television broadcaster.

Our delivery of a mix of the best of network programming and a high quality portfolio of regionally produced programming ensures that we also consistently outperform our network colleagues, with our peaktime share being some 22% higher than the ITV1 average peaktime share. Strong viewership performance enables us to maximise local revenue performance and, for a number of years, this has helped to mitigate declining network advertising revenue which has been undermined by the impact of the Contract Rights Renewal formula. In 2008, our share of ITV network advertising revenue was at a record high of 2.92%, with 51% of our revenue coming from the island of Ireland. In a total UK television advertising market which was down by 5% we slightly outperformed ITV network's 8% fall with a 7% reduction in our television advertising to £35.4m (2007: £38.2m).

In October 2009, UTV will celebrate 50 years as the Channel 3 licence holder in Northern Ireland. During that time it has grown into the leading television channel in the region with a 29% share of peaktime viewing, which is some 41% more than that of BBC Northern Ireland and almost 4 times the peaktime share of the next largest commercial television station, Channel 4.

On 15 January 2009 the Office of Fair Trading published its consultation paper on proposals regarding Contract Rights Renewal. Our response very much reflects the views of our colleague ITV companies that this undertaking is no longer appropriate for the current trading environment where substitution of ITV is readily available for virtually all advertisers.

On 21 January 2009, Ofcom published its second Public Service Broadcasting review. This very comprehensive review proposed relaxation in some regulatory requirements and posed a series of questions about the long-term structure of public service broadcasting. For UTV, the immediate effect was to reduce our licence commitments to 5 hours per week of news programming and 2 hours per week of non-news programming.

In a surprising move, ITV plc publicly asserted that it had been subsidising the non-ITV plc licensees, Channel, Scottish and UTV. Its assertion was based on the premise that collectively all 15 licencees had been co-commissioning network programming and, therefore, should be sharing the costs of that programming on what had been traditional basis of shares of network revenue. As well as being at odds with undertakings given by Granada and Carlton at the time of their merger in 2003, this premise is also divorced from the current reality that ITV plc effectively commissions, produces and schedules network programming without any reference to, or approval by, the small licencees who essentially guarantee to acquire all the network output. Additionally, it fails to recognise the inherent substantial subsidy, paid by all licensees, including the small ones to ITV plc's other channels. Research commissioned by

Business Review

UTV and Scottish Television comprehensively destroys the myth that ITV plc subsidises the non-ITV plc licencees.

Costs reduction programme

As it became apparent that the markets in which we operate were moving into recession, we took early action to reduce our cost base. Having reviewed all our businesses, we implemented a plan to close loss making radio stations, co-locate operations to maximise efficiency, re-configure our programming output to optimise resources, cut all non-essential expenditure and reduce all other costs where possible.

The costs of implementing this plan are included in the exceptional cost figure of £3.6m (2007 £1.2m). Associated savings are estimated at £5m in 2009.

New Media

The strategic vision for the New Media division is to develop new revenue streams by providing business and private consumers with internet capabilities including design, development and interactivity as well as a content rich website www.u.tv offering a range of consumer services. This content will be obtained from the programming we currently produce for Television and Radio and from web based sales activities.

The strategic vision for the New Media division is to develop new revenue streams by providing business and private consumers with internet capabilities including design, development and interactivity as well as a content rich website www.u.tv offering a range of consumer services.

Total revenues for the New Media division in 2008 were £11.5m (2007 : £9.8m) which reflects the integration of the Tibus business as offset by a 3% decline in our telephony / broadband activities which are operating in an increasingly competitive and price-driven market. Tibus is trading in line with the assumptions made at the time of the acquisition.

Principal risks and uncertainties

Details on the governance arrangements by which risks and uncertainties are monitored and managed are set out in the 'Corporate Governance' report. The risk factors that we consider to be most significant to the Group's operations, and where applicable an explanation of how these are managed or mitigated, are outlined below. The risks described below do not necessarily comprise all those associated with the Group and are not set out in any particular order of priority. Additional risks and uncertainties that are not currently known by the Directors, or that are currently deemed immaterial, may also have an adverse effect on the Group.

License award and regulation

The Group operates its television and radio business under licences regulated by Ofcom and the Broadcasting Commission of Ireland which are required to be renewed on a periodic basis and there is no guarantee that the incumbent provider will be awarded a licence renewal. The television and radio business is highly regulated and the conditions to be satisfied are extensive. The regulations are currently under an intense period of review and significant variations to the license have already been announced and more may be expected. Regulation covers not just broadcast issues such as programme and editorial content but extends to strict rules on ownership and location of the Group's stations. Material amendments to the conditions of the licences e.g. PSB stipulations could require a significant restructure and redirection of the current operations of the Group which would affect the business. Instances may also occur when certain conditions of a licence are inadvertently breached, causing negative reputation issues for the Group. Sanctions could also be imposed by the regulators.

The Group endeavours to operate all its licenses in full compliance with all regulations attached to the license, delivering the highest quality of service that maximises reach to viewers / listeners and hence provide a level of service unrivalled by potential competitors.

Communications with Ofcom and the Broadcasting Commission of Ireland are given high priority and representations are made to ensure that the regional perspective is considered. There is ongoing pro-active dialogue with regulators and regional government on various consultative processes to ensure there is consideration of alternative policy responses. The Group continues to lobby for the need for continuing deregulation in certain aspects of the regulatory framework especially those that constrain the Group's commercial ability to grow and develop on a cost effective basis. The Group has put measures in place to ensure all requirements of the licences are being met.

Advertising, sponsorship and promotion revenue

The Group derives a substantial amount of its operating revenues from advertising, sponsorship and promotions which are subject to a number of external factors such as the current general economic conditions. An adverse downturn in the economy would have a direct impact on our customers trading profiles causing changes in their available advertising budgets and their buying patterns. These external factors are largely outside the control of the Group

The Group endeavours to maintain its excellent customer relations throughout the difficult trading conditions. It responds to the economic and trading conditions by making strategic

Business Review

pricing, service and marketing decisions which accommodate the customer and designing innovative advertising packages that are attractive to the customer in delivering enhanced value whilst protecting the revenue earning of the business. The Group continually seeks opportunities for its advertising customers outwith traditional advertising formats and there is an active programme for identifying potential new revenue streams in each of the businesses.

Key individuals

The Group's share of viewing / listenership audience has a strong relationship to key individuals (talent) who are proven rating winners and any changes in the talent line up could have beneficial or detrimental effects. Within the management structure there is a small number of Directors and key employees whose departure could have a detrimental impact on the business in the short and medium term.

The Group endeavours to offer competitive, market-tested remuneration packages including long term incentives to encourage the retention of key personnel.

Performance of ITV

The Group's television broadcasting activities are highly dependent on the performance of ITV with respect to the supply and quality of network programmes and hence the share of viewing audience obtained, as the share impacts directly on the revenue generated from the sale of national advertising by ITV sales house.

In order to maintain its competitive position the Group continues to develop its people and enhance its content and product offerings. The Group continues to assess the media market and review all growth opportunities within its businesses markets both for organic and acquisitive growth.

The programme supply contracts with ITV1 network are monitored by Ofcom, reviewed by UTV and updated on a regular basis. The relationship with ITV is managed pro-actively with ongoing communication. UTV attends the ITV Council meetings of the ITV1 network which provides regular updates on programme and schedule developments.

Competition

There is a significant and increasing number of operators entering the television, radio, new media and digital markets all of whom are competing for a share of viewers and listeners and hence advertising revenue. Our competitors will gain further access to viewers when the digital switchover for television occurs in 2012. Additionally there is continuing growth in other forms of media communication to our customers e.g. via new media. The increasing number of media operators and competitors in the industry may impact in the Group being subject to declining viewer/listener share and with this, declining advertising revenue.

In order to maintain its competitive position the Group continues to develop its people and enhance its content and product offerings. The Group continues to assess the media market and review all growth opportunities within its businesses markets both for organic and acquisitive growth.

Economy and financial markets

The overall financial performance of the Group may be affected by the unpredictability of the financial markets creating financial risks in areas such as exchange rates, cash flow and interest rates. The current economic environment may also restrict the availability of debt facilities and future refinancing options which could constrain the Group's ability to execute its growth strategies.

The Group constantly monitors the financial markets and available funding options. Cash positions are forecast and monitored. The Group utilises appropriate hedging instruments to manage interest rate costs. It also manages foreign currency investment by allocating and matching the asset profile with debt funding of the operations in the local currency.

Pension schemes

The UTV defined pension schemes are currently in deficit and the investment strategy for the schemes are designed to reduce any market movements impacts and to recognise that there has been a diminution in the value of equity and bond investments. Other risks relate to increased life expectancy and new valuations requirements which could further increase the deficit. As a consequence the Group may be required to increase its funding contributions to reduce the deficit which could have an adverse impact on results and cash flow.

The funding position for pension arrangements is kept under regular review by the Board. Formal actuarial valuations are performed every three years to ensure that there is independent assessment of the financial position of the fund. The Group's senior management meet during the year with the pension trustees to consider matters such as investment criteria, funding policy and the effects of any changes in pension legislation.

John McCann
Group Chief Executive
30 March 2009

Financial Review

Norman McKeown
Group Financial Director

In raising fresh equity through a rights issue to reduce net debt, simultaneously refinancing of the Group debt through to July 2013, disposing of loss making businesses and implementing a cost reduction programme, the Group has taken actions to mitigate the impact of the current economic environment.

Basis of preparation of financial statements

The Group has prepared its financial statements under International Financial Reporting Standards (IFRS) and its parent company has prepared its financial statements under UK GAAP. The accounting policies adopted by the Group are set out in Note 2 of the 'Notes to the Group Financial Statements'.

The currency of the Group and Company financial statements is sterling and all values are rounded to the nearest thousand except where otherwise indicated.

Results

The key financial metrics utilised by the Group to evaluate performance are revenue, operating profit before exceptional items, pre-tax profit, adjusted earnings per share and net cash flow generation.

These financial indicators were influenced this year by the acquisition of Tibus in February 2008; the acquisition of FM104 in April 2008; and the completion of a 2 for 3 rights issue in July 2008 which subsequently contributed to the repayment of the existing bank facilities and the draw down of restructured Senior and Subordinated debt facilities.

Following changes introduced to regulatory requirements for television and as a result of significant downturn in the economic environment, the Group has undertaken a review and fundamental restructuring of its operations. This resulted in the rationalisation of the television operations in line with the reduction in local programming hours introduced by Ofcom; the disposal or closure of loss making radio stations and the consolidation of operations in both GB and Ireland.

Revenue

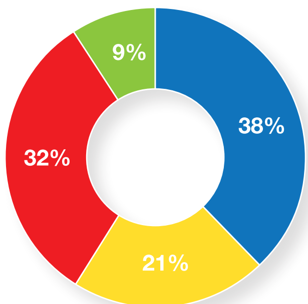
Group revenue from continuing operations has increased by 6% or £6.5m when compared to 2007. This increase has arisen as a result of the FM104 and Tibus acquisitions plus a favourable exchange rate movement as offset by a decline in Television revenues.

The tables and charts below detail the Group's revenue and operating profit by business segment, showing the year on year growth/(decline) and the percentage of Group total.

Revenue analysis by business segment

	2008 £m	2007 £m	Growth/ (decline)	% Change
Radio GB	45.9	46.2	(0.3)	(1)
Radio Ireland	24.9	16.6	8.3	50
Television	38.0	41.3	(3.3)	(8)
New Media	11.5	9.7	1.8	18
	120.3	113.8	6.5	6

2008 Revenue Analysis



Profits

Operating profit from continuing operations before exceptional items has remained constant at £28.1m. The operating profit performance reflects a decline in profit of £1.0m (9%) in GB radio, Ireland radio growth of £2.8m (54%) and New Media growth of £0.6m (43%) offset by a £2.4m (24%) decline in television operating profit. The operating loss from discontinued operations but before exceptional items and tax was £1.5m compared to £2.0m in 2007.

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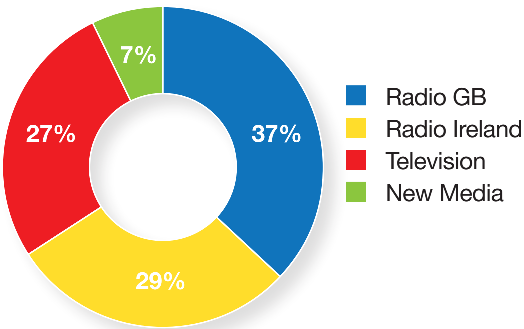
Operating profit analysis by business segment

	2008 £m	2007 £m	Growth/ (decline)	% Change
Radio GB*	10.4	11.4	(1.0)	(9)
Radio Ireland**	8.0	5.2	2.8	54
Television	7.7	10.1	(2.4)	(24)
New Media	2.0	1.4	0.6	43
	28.1	28.1	-	

* Radio GB includes start up losses of £0.3m (2007: Nil) in respect of our radio station in Preston and £0.5m (2007: Nil) in respect of the talkSPORT magazine.

** Radio Ireland includes start up losses of £0.5m (2007: £0.7m) in respect of our radio station in Belfast

2008 Operating Profit Analysis



Net financing cost

The net financing cost (excluding exceptional costs) increased to £8.1m (2007: £7.4m) as a result of the period of increased debt from April, when an additional subordinated debt facility was entered into to facilitate the acquisition of FM104, until July 2008 when the debt facilities were refinanced following the rights issue.

Profit before tax

The Group's profit before tax from continuing operations, excluding exceptional items, has decreased by 2% to £20.3m (2007: £20.7m).

Taxation

The tax charge on operating activities from continuing operations for the year of £4.4m (2007: £4.9m) represents an effective tax rate of 21.7% (2007: 23.5%). The effective rate reflects profits from our UK operations at the UK corporation tax rate of 28.5% (2007: 30%) and profits in our Republic of Ireland operations at the Republic of Ireland corporation tax rate of 12.5% (2007: 12.5%).

The exceptional tax charge of £0.4m in the year reflects:

- the impact on the deferred tax liabilities of a charge in the capital gains tax rate in the Republic of Ireland from 20% to 22%, effective from 1 December 2008 which resulted in a £1.1m charge;
- a £0.2m reduction on the deferred tax assets as a result of the phasing out of industrial building allowances in the UK; less
- the £0.9m corporation tax credit arising from the exceptional costs.

The Group's cash tax outflow of £0.4m is significantly reduced when compared to the corporation tax charge reflecting the utilisation of losses brought forward in our GB radio operation.

Discontinued operations

The £1.1m (2007: £1.4m) loss from discontinued operations reflected in our Income Statement relates to the results from our GB radio stations in Dundee, Stockport and Edinburgh up to the period they were sold or closed. The results reflect a £1.5m (2007: £2.0m) loss from operating activities less a tax credit of £0.4m (2007: £0.6m).

Exceptional items

Net exceptional losses amounted to £5.6m (2007: £0.4m gain) and consisted of:

- fundamental restructuring costs of £2.8m on rationalising and reorganising our continuing operations in Radio GB Radio Ireland and Television;
- losses of £0.7m (net of tax), included within discontinued operations, relating to the costs of closure of talk107 net of the profit on disposal of Wave 102 FM and Imagine FM;
- £0.3m relating to the write off of our investment in 4Digital;
- exceptional finance costs of £1.4m relating to deferred costs in respect of the original bank facilities following the refinancing of the Group; and
- an exceptional tax charge of £0.4m as outlined in more detail above.

Earnings per share

Basic earnings per share from continuing operations for 2008 are 13.85p (2007: 27.19p). The diluted earnings per share for 2008 are 13.85p (2007: £26.86p) and the diluted adjusted earnings per share for 2008 are 20.20p (2007: 26.53p) and is adjusted for the net exceptional loss of £4.9m (2007: £0.4m gain). The diluted adjusted earning per share calculation is based on 77,274,344 shares and includes the pro rata weighted average shares issued as part of the Rights Issue in July 2008.

Dividend

The Board is proposing a final dividend of 2.0p (2007: 8.30p). Subject to shareholder approval this will result in a full year dividend of 5.30p (2007: 13.50p). The total dividend payment will be £5.1m (2007: £7.6m). The dividend cover which is calculated on the profit attributable to equity holders of the

Financial Review

parent expressed over the total dividend paid for the financial year is 1.77 times (2007: 1.93 times).

Pensions

The Group operates two defined benefits pension schemes, one in Northern Ireland ('The UTV Scheme') and the other in Great Britain. Both schemes are funded by the payment of contributions to separately administered trust funds.

The IAS 19 deficit at 31 December 2008 on these schemes had increased by £6.7m to £8.6m (2007: £1.9m). The assumptions underpinning the schemes deficit calculations are set out in Note 31. The Group has agreed to fund £5.3m towards the actuarial deficit level under the UTV scheme over a 3 year period, which commenced with a payment of £1.0m in 2008.

Net Cash Flow

	2008	*2007*	*Increase/ (decrease)*
	£'m	*£'m*	*£'m*
EBIT (1)	26.5	26.0	0.5
Depreciation and amortisation	1.9	1.8	0.1
EBITDA	28.4	27.8	0.6
Capital expenditure (net)	(1.9)	(1.2)	(0.7)
Working capital movement	1.9	(1.2)	3.1
Exceptional costs	(1.5)	(1.7)	0.2
Free cash flow	26.9	23.7	3.2
Net financing costs	(9.5)	(7.1)	(2.4)
Tax	(0.4)	(0.4)	-
Dividends paid to equity shareholders	(7.9)	(7.2)	(0.7)
Other cash flows	(0.4)	(0.3)	(0.1)
Net cash flow (2)	8.7	8.7	-

(1) Earnings before interest, taxation, exceptional items and including income from associates.

(2) Cash flow from operations excluding the proceeds from the Rights Issue which raised £47.5m; acquisition costs of FM104 and Tibus of £46.2m; and the discretionary pension payment of £1.0m.

The £26.9m free cash flow from operations arose as a result of the increased EBITDA of £28.4m and a reduced working capital requirement of £1.9m but offset by capital expenditure and exceptional costs. Thereafter net financing costs of £9.5m and dividend payments of £7.9m were the main factors resulting in an overall net cash flow of £8.7m in 2008, unchanged from 2007.

Net financing costs increased by £2.4m to £9.5m partly due to exceptional costs of £1.6m in respect of the professional and bank fees associated with the refinancing of the Group's senior debt facilities in 2008.

Balance Sheet

An increase in net assets of £57.2m to £128.6m (2007: £71.4m) is due predominately to £47.6m of assets attributable to the acquisitions during the year, an exchange gain of £17.3m on euro denominated assets less the increase in the pension deficit of £6.7 and the financial liabilities of £1.5m .

Group financing

The acquisition of FM104 was part funded by the provision of a short term €47.6m subordinated debt facility by Bank of Ireland which was agreed in March 2008. This facility was drawn down on acquisition and held in place until the subsequent refinancing of the Group's total debt facilities in July 2008.

In July a rights issue was undertaken on the basis of 2 rights issue shares for every 3 existing shares at a price of 130p. This resulted in 38,361,011 additional shares being issued in the Company and raised £47.5m, net of costs.

A new five year senior debt facility comprising of £95m and €50m was agreed with Bank of Ireland as arranger, agent and lender in June 2008. Approximately £54.3m and €28.5m of these facilities were syndicated to three banks, Barclays Bank, Allied Irish Bank and Ulster Bank. These facilities are available to the Group through to July 2013 and new covenants have been agreed through this period with metrics based on EBITDA, net debt and interest costs to the Group.

Following the receipt of the proceeds from the rights issue in July 2008, all of the existing senior and subordinated debt facilities were cancelled and the utilisation of £72.5m and €48.8m from the new 5 year senior debt facilities drawn down.

Capital structure and financial risk management

At 31 December 2008 the Group had:

- net debt of £107.6m (2007: £107.2m)
- a net debt: EBITDA ratio of 3.58x (2007: 3.82) and
- an EBITDA: interest cover of 3.84 x (2007: 4.01)

The above ratios are calculated based on banking covenant requirements as defined in the facilities documentation. For the period ending 31 December 2008 the net debt to EBITDA ratio shall not exceed 4.00:1 (2007: 4.25:1), and the ratio of EBITDA to net interest expense shall not be less than 3.25:1 (2007: 3.25:1).

Going forward the ratio of net debt to EBITDA for the relevant periods ending March, June and September 2009 shall not exceed 4.00:1; 3.75:1 for the period ending December 2009 and 3.50:1 for the periods ending March and June 2010.

Financial Review

In terms of the ratio EBITDA to net interest expense for all relevant periods to June 2010 the ratio shall not be less than 3.25:1.

The Group's debt funding facilities comprise senior syndicated bank facilities led by Bank of Ireland.

Senior syndicated bank facilities comprise:

- £95.0m facility with UTV Limited comprising a £55.0m term loan reduced to £52.5m by mandatory repayment in the financial year 2008 together with a £40m revolving credit facility
- €50m facility with UTV Radio (ROI) Limited comprising
- €40.0m term loan reduced to €38.0m by mandatory repayments in the financial year 2008 together with a €10m revolving credit facility.

The bank facilities are secured by way of a floating charge over the company's assets.

The Group has borrowings against these facilities of £117.7 leaving it with unutilised facilities of £20.7m and cash reserves of £9.3m.

The Group has entered into interest rate swaps fixing the base interest cost for a percentage of its sterling and euro denominated debt.

- 57% of the sterling senior facility is fixed at 4.56% plus applicable margin
- 34% of the euro senior facility is fixed at 3.83% plus applicable margin

  Overall approximately 49% of total Senior debt facilities are fixed at a blended interest rate of 4.32% plus an applicable margin.
- Full details of the maturity profile of the Group's liabilities are set out in Note 24: Financial Liabilities. The Group's liquidity policy ensures continuity of funding in the short and medium term by the use of cash deposits, undrawn bank and other facilities. The Group sets out its financial risk management objectives and policies in Part (a) of Note 30: Derivatives and other financial instruments.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above. In addition note 30 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and in raising fresh equity through a rights issue to reduce net debt, simultaneously refinancing of the Group debt through to July 2013, disposing of loss making businesses and implementing a cost reduction programme, the Group has taken actions to mitigate the impact of the current economic environment. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and undertaking a review of budgets and forecasts in the light of current conditions, 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, the Group continues to adopt the going concern basis in the preparation of its annual report and accounts.

Norman McKeown
Group Finance Director
30 March 2009

talkSPORT continued to grow its audience year-on-year and ended 2008 with the highest ratings in the station's history.

Radio GB

talkSPORT's Townsend and Parry

2008 was a pivotal year for talkSPORT, the UK's only national commercial speech radio station.

Commercially the station has pioneered the use of radio to reach advertisers and sponsors target markets and is regarded as the market leader in sponsorship and the use of branded content.

Ratings success

In the face of increased competition from rival stations and other entertainment media, talkSPORT continued to grow its audience year on year and ended 2008 with the highest ratings in the station's history – achieving a weekly reach of 2.52 million listeners, up 2.6% year on year and up 8.7% quarter on quarter.

Listening hours for the speech station hit 18 million, meaning talkSPORT listeners tune in for an average of 7.2 hours a week – compared to Absolute (6.6 hours) and Classic FM (7.1 hours).

Nationally, talkSPORT's audience profile remains highly attractive to advertisers, with 78% of its audience being male and 54% ABC1. talkSPORT also has the highest reach of any commercial radio station for adults aged 15 – 34 in the UK, with 922,000 tuning in every week.

Award winning station

talkSPORT returned to Arqiva Commercial Radio Awards in June 2008 with high hopes of repeating the previous year's success.

The station received two awards: the creative team picked up the award for Station Sound for the third time in four years and Adam Bullock, talkSPORT's sales director, accepted the National Sales Team of the Year award.

The latter accolade was due recognition of the hard work and effort that the sales team had put in over the previous twelve months and reflects the station's outperformance of its commercial rivals. By winning the Station Sound award, talkSPORT's creative department showed once again that they are the best in UK commercial radio.

The best talk in the country

In 2008, talkSPORT continued to bring the best 'talk talent' in the country to the station.

Stan Collymore, the former Liverpool and England striker joined talkSPORT and made an immediate impact. Lining up alongside Nigel Pearson, Collymore has provided a unique insight into the modern game and as co-commentator on talkSPORT's live and exclusive Saturday afternoon Premier League coverage, has helped grow the station's audience.

Collymore has also been busy co-presenting the weekday evening show, Kick Off with another new station addition, Danny Kelly. Danny has brought consistency to the 7pm-10 pm sequence Monday to Friday. Already a seasoned presenter as one half of the "Baker and Kelly" programme, he is a mine of information and is respected as both a broadcaster and journalist. His real and unforced enthusiasm for sport is infectious.

Andy Goldstein was a stalwart of hit soccer programme, Soccer AM. He brings a younger modern edge to talkSPORT with his weekend show, The Sports Bar, in which he takes an acerbic look at the week's sport.

Radio GB

talkSPORT's Stan Collymore

Jeremy Kyle, who is an accomplished radio presenter but is probably best known for his TV work, joined the station to present a Sunday afternoon sports show. Kyle's incisive, no-nonsense style of questioning founded on an in-depth knowledge of sport, especially football and golf, has made him a hit with listeners and sports stars alike. Premier League managers such as Harry Redknapp and Sam Allardyce have appeared as regular guests.

Townsend and Parry, who have presented the Weekend Breakfast Show since 2004, took over presenter duties for the weekday mid-morning 10am to 1pm slot. Already established voices on the station, they have forged one of the most potent on-air partnerships in the country. Their unique brand of radio makes talkSPORT's morning offering the biggest sound anywhere on radio.

Behind the scenes, after eight years at the station's helm, Bill Ridley stepped down as talkSPORT programme director in March and was replaced by former BBC Radio Five Live managing editor Moz Dee. Moz was no stranger to the station as he was both a presenter with its predecessor Talk Radio and also head of sport at the station before joining the BBC in 1999.

Digital magazine

In May, talkSPORT announced the forthcoming launch of a digital magazine aimed at extending the brand beyond radio and two months later, talkSPORT magazine went live.

The title was under construction for more than a year and talkSPORT recruited a number of industry experts to make the concept a reality. James Mallinson was brought in as publisher, with Bill Borrows, author and former editor-at-large of Loaded and Maxim magazines, leading the editorial team. Duncan Stafford, who has won awards for his design work on titles such as Arena and FHM, was recruited as art director.

The magazine is distributed electronically every Thursday to more than 152,000 users.

talkSPORT's Ian Wright

Investing in local radio

2008 saw UTV Radio (GB) continue to invest in its Independent Local Radio (ILR) stations.

In April, the Group embarked on the second phase of a major six-figure marketing campaign across eight of its ILR stations, the first phase taking place in the autumn of 2007.

The activity began at The Pulse in West Yorkshire concentrating on 48-sheets, 6-sheets and bus backs. Further campaigns followed for 96.5 Radio Wave across Blackpool and the Fylde Coast and 107.4 Tower FM across Bolton and Bury before the creative was rolled out across the five remaining stations.

They included Signal One in Staffordshire and Cheshire, 107.2 Wire FM in Warrington, Widnes & Runcorn, Peak FM in Chesterfield and North Derbyshire, 102.4 Wish FM in Wigan and St Helens and 96.4 The Wave in Swansea and south west Wales.

The marketing revolved around the strap line that has been adopted across the group "You Love It. We Play It."

Steven Gerrard at the Juice FM Liverpool Style Awards.

107.6 Juice FM does the double at radio 'Oscars'

In July, Liverpool's 107.6 Juice FM received two awards at the Arqiva Commercial Radio Awards 2008, winning the Technical Innovation and News awards and in the process beat stiff competition from national stations.

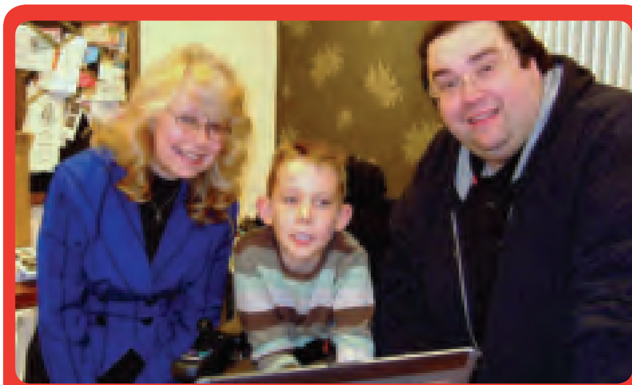
In November, showbiz and sporting stars from across the northwest descended on Liverpool to attend the second 107.6 Juice FM Liverpool Style Awards – a ceremony that celebrated all things stylish about Liverpool and its fashion-conscious residents. England and Liverpool midfielder Steven Gerrard retained his "Icon" and "Most Stylish Sporting Star" awards and was there in person to collect the awards.

Introducing Central Radio

September saw UTV Radio launch a new music station across central Lancashire. 106.5 Central Radio began broadcasting on September 25 at 7am with a top line-up of presenters, including Mark Keen and Anna Woolhouse at breakfast and former Coronation Street actor, Scott Wright, who played Sam Kingston, also hosting a regular show.

Local radio children's charity makes life changing donations

Stoke-based stations Signal 1 and Signal 2, who serve the listeners of Staffordshire and South Cheshire, announced in October that they were donating £15,000 worth of specialist equipment to sick and needy children through their fund, Help a Signal Child.



Signal 2 presenter Paul Fairclough presents Harry Sommerfield (9) with his new laptop, courtesy of the station's 'Help a Signal Child' fund.

The fund, established in 1993, raises money through organising and hosting various fundraising events throughout the year, which in July 2008 included the Signal Walkathon. The fund's donations will directly help ten children and indirectly benefit a great many more as equipment has been purchased on behalf of both individuals and local organisations, including the Peter Pan Nursery and the Holy Trinity Scout Group.

Swansea Sound picks up media award

Swansea Sound won a prestigious media award at the 29th Plain English Campaign Awards that were held in London in December. Swansea Sound picked up the award for Best Regional Radio Station. The judges commented: "With the reputation of being the first independent Welsh radio station, established before both BBC Wales or BBC Cymru, Swansea Sound has remained a clear favourite with its audience. It broadcasts in both English and Welsh and holds fast to its successful original programme format."

Swansea Sound journalist Lexy Blackwell collects the Best Regional Radio Station award from Rory Bremner at the 2008 Plain English Campaign Awards.

Radio Ireland

All stations continue to be heavily involved in the communities in which they broadcast, having a significant involvement in charity and community based initiatives.

FM104's Strawberry Alarm Clock breakfast show

2008 was an exciting year for UTV Radio Ireland, highlighted by the acquisition of FM104 and its integration into the Group; the re-launch of Broadcast Media Sales (BMS) as UTV Radio Solutions; the launch of UTV's first national advertising package, Urban Access and the development of new corporate premises at Macken House, adjacent to the O2 Arena in central Dublin.

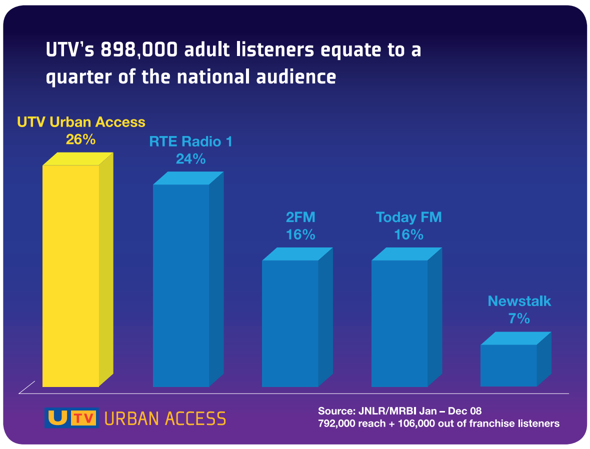
From a programming perspective, a continuation of locally focused output in each of UTV's six radio stations again unpinned their attractiveness to listeners during 2008. Each station continued to produce a mix of music, news, special interests and speech based programming uniquely tailored to each franchise area. Listeners reacted positively to ongoing programming developments and all stations performed well in the Joint National Listenership Research (JNLR) survey for 2008.

Ratings rise

Cork's 96FM/C103, Limerick's Live 95FM, LMFM in Louth/Meath and FM104 in Dublin all consolidated their market leading positions in key urban areas with market shares of 47.8%, 43.9%, 34.5% and 13.3% respectively.

Of particular note was the improved performance of UTV's two newest stations, Dublin's Q102 and U105 in the Greater Belfast area. Q102 increased its market share to 7% during 2008 and also established itself as the most listened to Dublin station amongst the key 35+ demographic in the July to December 08 period. This complements FM104 who have the largest daily listenership of any Dublin station but also the number one position amongst the 15 to 34 age demographic.

U105 displayed a very strong listenership performance, with the Greater Belfast public reacting positively to the ongoing evolution of its programming. The station's weekly reach grew by 20% to 108,000 adults and its market share increased by 42% to 6% during 2008.



Radio Ireland

Strong talk shows
The programming at each station continued to develop during the year with significant improvements to both the breath and quality of broadcasting.

All stations, while music based, have daily talk shows which concentrate on the issues of importance to the local audience with strong listener participation providing excellent public service broadcasting at a local level.

U105 displayed a very strong listenership performance, with the Greater Belfast public reacting positively to the ongoing evolution of its programming. The station's weekly reach grew by 20% to 108,000 adults and its market share increased by 42% to 6% during 2008.

In the community
All stations continue to be heavily involved in the communities in which they broadcast, having a significant involvement in charity and community based initiatives.

From a pure fund raising perspective, the UTV Radio Ireland stations raised in excess of €500,000 for local charities during 2008. This included major contributions from FM104's Help a Dublin Child campaign; Cork's Cash for Kids Radiothon and Q102's Charity Day for St Michael's House.

Introducing UTV Radio Solutions
During the year, UTV's sales house was re-branded from Broadcast Media Sales to UTV Radio Solutions to further align its position in the media sector with the benefits of the UTV brand.

UTV Radio Solutions continues to sell for all UTV Radio Ireland stations plus Galway Bay FM and Beat 102-103. While each station is attractive to advertisers on an individual basis, the absence of a stronger Dublin presence had to date weakened the potential to compete for national campaigns.

The addition of FM104 to the Group has filled this gap and resulted in the UTV Radio Solutions offering now having a greater daily listenership than each of the national radio stations.

With a total daily reach of 898,000 adults, which includes all listeners, UTV Radio Solutions launched a new package, Urban Access to specifically target advertising budgets which previously would have automatically gone to national offerings. The Urban Access package is extremely attractive, as it has more daily listeners than each national station and it concentrates these listeners in key urban areas.

New Radio Ireland headquarters
A decision was made during 2008 to co-locate all UTV owned Dublin businesses.

Scott Williams, Chief Executive, Q102, Ronan McManamy, Managing Director, UTV Radio Ireland and Margaret Nelson, Chief Executive, FM104 on site during construction of the new UTV Media premises in Dublin.

A central location at Macken House in the developing docklands area of Dublin was chosen and it is estimated that all businesses will be in situ from May 2009. The new Group premises will also facilitate numerous synergies both from a cost and performance perspective.

News is at the centre of UTV's public service broadcasting responsibilities.

Television

UTV Live

UTV delivers the most watched regional programmes in the ITV network and remains the most popular channel in Northern Ireland. It offers viewers original, high quality programmes that reflect the region and inform and entertain the audience.

With considerable speculation about the future of public service broadcasting on the ITV Network, UTV as the channel 3 licensee in Northern Ireland continues to provide high quality news, current affairs and non-news programming for a modern and vibrant nation.

UTV's performance in 2008 was highly impressive, with a peaktime share of 29.2%, well ahead of the ITV Network share of 23.9%, BBC NI's share of 21% and almost four times that of its nearest commercial competitor, Channel 4, with 8%.

UTV Live is once again the most watched regional news on ITV1 across the UK with an average share of 36%, well ahead of BBC NI's Newsline's 28% share.

Lesser Spotted Ulster and Ultimate Ulster remain the best performing regional programmes in the whole of the ITV Network with an average series share of 27.5% and 25.2% respectively. Overall 8 of the top 10 programmes in Northern Ireland in 2008 were shown on UTV.

UTV has been fully engaged in the debate relating to the future of public service broadcasting and content in the UK. The television division has engaged with government at local, devolved and national levels, regulators, stakeholders and the local audience in developing a deliverable solution to the challenges currently faced by the creative economy.

UTV has attempted to balance the commercial reality of the current television advertising market with the delivery of high quality public service broadcasting.

First choice for viewers

News is at the centre of UTV's public service broadcasting responsibilities.

UTV has implemented the latest digital newsroom and transmission technology, investing in infrastructure, new

UTV Late & Live

Television

equipment and training to modernise news and programme operations. UTV also modernised news-gathering and created a news hub to deliver cross-platform output. Journalists multi-skilled in television, radio and online now work together to offer a faster and more comprehensive multi-platform service.

At the end of 2008, UTV announced an internal restructuring of the television division. In 2009, current affairs and features teams will be merged into the general news and content operation, enabling UTV News to benefit from an enlarged range of editorial skills.

UTV Live is the most watched and widely respected news for policy-makers and opinion-formers in Northern Ireland - achieving an ABC1 rating of 35.7% against the BBC Newsline programme which rated 33.2%.

UTV's presenting, editorial and resources teams call on many years of experience to deliver programming relevant to a modern and evolving Northern Ireland.

UTV has delivered comprehensive coverage in key news programmes of the first full year of the new Assembly. Indeed, the coverage of the surprise resignation of the first First Minster, Dr Ian Paisley was the journalist scoop of the year.

UTV cameras also covered the visit of President George W Bush to Northern Ireland. In addition, UTV delivered extended live coverage and a news special on the 10th anniversary service commemorating the Omagh bombing, the worst terrorist outrage in Northern Ireland.

UTV News harnessed the stories of concern to viewers with the launch of Your Story, a web-based application which allows members of the public to contact the newsroom with stories they believe should be followed up by the news team. The initiative has been a significant success and Your Stories feature regularly on UTV Live.

In 2009, news will be at the very heart of UTV's programme plans. The early evening news programme, UTV Live will be relaunched with a new set and titles. Most importantly, it will re-emphasise the serious news agenda that makes UTV Live the first choice for local viewers.

More news and current affairs

However, by far the most significant development in UTV News will be the launch in Spring 2009 of a nightly (Monday to Thursday), half-hour news and current affairs programme.

UTV Live Tonight will deliver a bulletin of record for the day and also offer in-depth current affairs analysis on the key issues affecting our audience. Politics, social and industrial issues, business, arts, sport, religion, crime, justice and the environment will all have significantly more airtime than has been possible with just one early evening half-hour of regional news output. This new programme will give greater depth to Northern Ireland's key issues and UTV will be the first broadcaster in any of the devolved nations to launch a full late evening news programme which will become a key part of UTV's output for the foreseeable future.

UTV produced key current affairs series in 2008: Insight, Late and Live and The Troubles I've Seen.

The Troubles I've Seen was an in-depth look at the Troubles and the evolution in Northern Ireland society and politics since the beginning of the peace process.

Late and Live is a late night current affairs debate that covers a diverse range of topics with an expert panel and an audience selected for their specialist knowledge of selected subjects. The programme allows viewers' comments to be aired through email and text interactivity.

The Troubles I've Seen

Sport

In sports coverage, UTV was delighted to be able to obtain the news-clips rights for GAA sports. UTV now holds sports rights for all the key sports in our region: football, rugby and GAA.

Sports coverage included the Tennis Legends series with Bjorn Borg and John McEnroe who clashed in Belfast's Odyssey Arena. RPM continued to report motorsport and celebrated the broadcast of a special 300th programme. Football will take centre stage in 2009 as we chart the progress of both the Northern Ireland and Republic of Ireland teams in their qualifying games in the run up to the World Cup in 2010.

The strength of regional programmes

One of the outstanding successes of 2008 was the newly reformatted Lesser Spotted Ulster, the UK's most popular regional production. As the series celebrated its 10th anniversary, UTV took the bold decision to increase its duration to one hour and schedule it in prime peaktime.

It worked, beating both the ITV Network and BBC NI in terms of share and volume - and a new series is already underway for 2009. It also became UTV's first non-news offering available to view online as a local catch-up service.

UTV had two other key series in 2008: Portrush Sea Rescue and The Fabulous Food Adventure.

Portrush Sea Rescue followed one of Northern Ireland's busiest lifeboat crews throughout the summer. The 'fly on the

Television

Portrush Sea Rescue

wall' series delivered a real insight into sea safety and the lives of those who risk all to rescue others.

In The Fabulous Food Adventure, celebrity chefs and local personalities travelled across the counties of Northern Ireland to seek out the best local produce before serving up a feast from their discoveries.

Reflecting Northern Ireland's culturally diverse society, Homelands to Townlands met people from around the world who, for various reasons, have made our home their home.

Hidden Heritage returned for a second series. This highly popular programme uncovers the history all around us and puts local landmarks into the context of the past.

The Fabulous Food Adventure

Other programmes in 2008 included a two-part documentary Short Stories, Tall Tales, studying 100 years of the Short Brothers. Concerts from the UTV Countryfest were also shown on television, featuring some of the world's leading country artists and UTV's popular Rewind series delved into 50 years of film history from the archives.

By far the biggest non-news programme commitment for 2009 will be a new weekly programme launching in the spring. The half-hour peaktime programme will be a new lifestyle magazine for our audience. Covering a diverse range of arts, entertainment, social, health and topical issues, the programme will be at the heart of family life in Northern Ireland.

Putting the audience first

UTV has continued to strive to be as close to the community as possible and supported four major off-air events in 2008:

- The UTV Business Eye Awards.
- The Emmerdale Extravaganza in association with the Anthony Nolan Trust.
- The Sunday Life Spirit of Northern Ireland Awards to reward local unsung heroes.
- The UTV Countryfest which brought some of the world's top country music artists to Tyrone.

Richard Buckley, Business Eye, Hugh Donnelly, Bank of Scotland Ireland and Michael Wilson, MD, UTV Television at the launch of the UTV Business Eye Awards.

Committed to the community

UTV is committed to the promotion of media literacy in Northern Ireland on-air, online and in the wider community.

UTV continued to operate a publicly advertised training scheme called Skills Focus in conjunction with Northern Ireland Screen. Following a tremendous response, UTV facilitated a number of workshops for thirty trainees and then offered the five successful candidates four-month paid placements from September to December throughout the company.

In 2008, the company embarked on a partnership with the MA in Documentary Production at the University of Ulster and hosted their first ever graduate film presentation. Senior members of management have addressed the students at seminars, helping them with their development and understanding of media theory and practical skills.

All UTV output is scrutinised by both the Regional Advisory Committee and the Religious Advisory Panel. Discussions are often frank and the range of opinions expressed is varied and diverse.

Celebrating 50 years in 2009

2009 is UTV's 50th anniversary as Northern Ireland's Channel 3 licencee. UTV intends to celebrate this significant birthday across the year with special programming. A four-part series entitled, Your TV – UTV at 50 has been commissioned and will feature a mixture of the history, programming, people and personalities who have made UTV the UK's most popular regional broadcaster.

UTV is an integral part of the community in Northern Ireland and extremely proud of its regional heritage which puts its audience at the centre of all its output. UTV's strapline, It's All About U has never been more relevant as UTV enters a new era in broadcasting.

Gareth Dunlop, MD, Tibus and Jeremy Biggerstaff, MD, UTV New Media at the AIM Awards, Dublin.

New Media

With close to one million people visiting a UTV Website every month in 2008, UTV New Media remain focused on supporting Group online web services and continue to explore and develop new content opportunities to stimulate further growth in 2009.

There have been a number of significant projects to develop UTV's online web properties. Work is well underway for a major re-launch of UTV's flagship website in Ireland - www.u.tv, which will shortly introduce a 30 day catch up service for network shows such as Coronation Street, Emmerdale and Britain's Got Talent backed up by UTV Live news and a wealth of regional programmes.

UTV New Media continue to support the weekly production of talkSPORT's new online magazine and assist in the automation of broadcast content for immediate release on talkSPORT's online media player.

Tibus

Tibus was successfully integrated into the New Media division during 2008 and in Spring 2009 moved into new purpose built offices at UTV's Belfast Headquarters.

During 2008, Tibus won a number of major web projects for significant customers across the UK and Ireland including Activity Breaks, Prosperity Capital, Aepona and Irwin's Bakery.

Tibus also won the North South Marketing category at the prestigious AIM (All Ireland Marketing) Awards in Dublin at the end of May organised by the Marketing Institute of Ireland.

UTV Internet

UTV Internet successfully won the contract to establish Church Telecom from Church Support, a not-for-profit charity dedicated to providing products and services to Churches across Ireland.

The scheme provides consumer and business broadband and telephony services. This unique affinity scheme includes a rebate of the call spend to be paid back to the Churches to help funding and development.

UTV Internet also launched the first online backup service with 'unlimited' storage in the UK and Ireland entitled UTV Online Backup. It is complemented by an online security centre with free help and tips for all customers.

UTV Internet was the first hosting business in Ireland to successfully achieve Microsoft accreditation for Windows Server 2008. As part of a rapid deployment programme initiated by Microsoft, UTV Internet is one of only a very small number of service providers in Ireland who can provide this latest technology.

UTV Internet focused on selling 'bundles' for broadband, telephony, internet security and online backup. Supported by an integrated advertising campaign on TV, radio and online the business increased its retail customer base by almost 5% in 2008.

Recruit NI

Early in 2009, UTV New Media acquired the local online recruitment business, Recruit NI.

Established in 1999, Recruit NI is a successful and profitable online business with a significant client base that advertises jobs through its website – www.recruitni.com - for the private and public recruitment sectors.

UTV New Media will invest in the business and extend its reach utilising television, radio and online.

This business will be integrated into the UTV New Media division and will strengthen UTV's online presence and help drive the group's multimedia strategy.

Board of Directors

Non-Executive Directors

Chairman: J B McGuckian BSc (Econ)

Mr McGuckian is an industrialist with a wide range of industrial and commercial experience. He is a director of Cooneen Textiles Limited and Irish Continental Group plc. He was until recently Chairman of Allied Irish Bank UK plc and a director of Allied Irish Bank plc.

His other directorships cover enterprises in Ireland, the UK and the USA. He has previously acted as the Chairman of the International Fund for Ireland, the Chairman of the Industrial Development Board for Northern Ireland and as Senior Pro-Chancellor and Chairman of the Senate of the Queen's University of Belfast. Mr McGuckian was appointed to the Board on 3 July 1970. Aged 69.

R E Bailie OBE

Mr Bailie is Chairman of W & G Baird (Holdings) Limited and was until recently a member of the Court and Chairman of the Audit Committee of the Bank of Ireland.

He is also a graduate of the Harvard School of Business. Among his business interests are a number of other directorships. He was a member of the Court of the Bank of England and until 31 December 2002 was the Chairman of the Northern Ireland Tourist Board. Mr Bailie was appointed to the Board on 18 September 1996. Aged 65.

H Kirkpatrick

Miss Kirkpatrick is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Chartered Institute of Marketing. She currently works in the Corporate Finance division of Invest Northern Ireland and is a non-executive director of Kingspan Group plc. She is also the Chairperson of CAUSE Limited and of Crumlin Together Limited. Previously Miss Kirkpatrick was a board member of the International Fund for Ireland, a director of the Enterprise Equity Venture Capital Group, and a non-executive director of NI-CO (Northern Ireland Public Sector Enterprises Ltd). Miss Kirkpatrick was appointed as a non-executive director on 29 August 2007. Aged 50.

K Lagan

Mr Lagan is the Chairman and Chief Executive of Lagan Group of Companies. He was until recently a member of the Board of the University of Ulster Foundation and his previous directorships also include Belfast International Airport and Belfast Harbour Commissioners. Mr Lagan was appointed to the Board on 17 April 2003. Aged 58.

S Reihill

Mr Reihill is the Executive Chairman of TVC Holdings plc, a leading publicly quoted investment holding company. He is also the Chairman of Norkom Group plc and The Agency (Holdings) Limited. Mr Reihill began his career with Dillon Read Investment Bank in New York and was formerly Joint Chief Executive Officer of Tedcastle Holdings Limited. He also established Trinity Venture Capital in 1997 and successfully floated the Company as TVC Holdings plc in July 2007. Mr Reihill was appointed as a non-executive director on 10 September 2008. Aged 43.

Executive Directors

Group Chief Executive: J McCann BSc (Econ) FCA

Mr McCann joined UTV in 1983 as Financial Controller/Company Secretary. He became General Manager in 1989, was appointed to the Board in 1992 and became Managing Director (now Group Chief Executive) from 1 October 1999. Aged 55.

Group Commercial: J R Downey FCCA

Mr Downey joined UTV in 1998 as Financial Controller having previously held a number of senior posts with Viridian Group PLC. On 17 September 1999 he was appointed as Company Secretary of UTV and on 24 November 2000 was appointed to the Board as Finance Director, and subsequently became Group Finance Director. On 18 December 2006, Mr Downey was appointed as Group Commercial Director and from the 29 July 2008 until 11 March 2009 assumed the role of Group Finance Director. Aged 62.

Managing Director UTV Radio (GB): S Taunton

Mr Taunton joined UTV on 2 March 2000 when the Company acquired UTV Internet Limited and became Business Development Director. He was appointed as Managing Director of UTV Radio (GB) Limited on 4 July 2005 and was appointed to the Board on 25 November 2005. Aged 38.

Group Finance Director: N McKeown BSc (Econ) FCA

Mr McKeown joined UTV on 17 November as Group Finance Director

(Designate). A graduate of Queen's University Belfast, Mr McKeown qualified as a Chartered Accountant with Coopers & Lybrand in Belfast. Over a ten year period he held a number of senior finance positions with Bass plc in Northern Ireland, Scotland and England. Subsequently, he worked for Scottish & Newcastle plc in Edinburgh for three years before taking the role of Group Finance Director with Lamont Holdings plc based in Belfast. In 2000 Mr McKeown joined Sepha, a manufacturer of pharmaceutical packaging equipment as Finance Director. He led a management buy-out in 2005 and was then appointed Managing Director. He was appointed to the Board as Group Finance Director on 11 March 2009. Aged 51.

Membership Of Board Committees

Audit Committee

H Kirkpatrick	(in the Chair)
R E Bailie	(resigned 27 August 2008)
K Lagan	
S Reihill	(appointed 10 September 2008)

Remuneration Committee

K Lagan	(in the Chair)
R E Bailie	
H Kirkpatrick	
S Reihill	(appointed 10 September 2008)

Nomination Committee

J B McGuckian	(in the Chair)
R E Bailie	
K Lagan	
H Kirkpatrick	
S Reihill	(appointed 10 September 2008)

Corporate Governance

The Group is committed to high standards of corporate governance and the Board acknowledges its responsibility to achieving management accountability, improving risk management and ultimately to creating shareholder value. The provisions set out in Section 1 of the Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council in the UK and appended to the Listing Rules, require UK listed companies to report on the manner in which they apply the principles of good governance and the extent they comply with the provisions set out in the Code.

This report describes how the Group has applied the principles set out in section 1 of the Combined Code on Corporate Governance and discloses the extent to which the Group has complied with the Code's provisions.

Statement by the Directors on Compliance with the Combined Code

Throughout the year ended 31 December 2008, the Company has complied with the provisions set out in Section 1 of the Combined Code on Corporate Governance (2006). However, the Company has considered the Guidance on Audit Committees (The Smith Guidance) relating to the constitution of the Audit Committee, in respect of which one member was not classed as independent, having served on the Board for a period greater than nine years. This member resigned from the Audit Committee on 27 August 2008.

The Board

Composition: The Board currently comprises five non-executive members and three executive members. The non-executive members include the Chairman and four other non-executive Directors. The executive members include the Group Chief Executive and two executive Directors. The composition of the Board during 2008 was as outlined above except in the following periods:

- From 1 January 2008 to 9 September 2008, there were four non-executive members, with S Reihill being appointed to the Board as a non-executive member on 10 September 2008.
- From 1 January 2008 to 28 July 2008, there were four executive members, with P O'Brien resigning from the Board with effect from 29 July 2008.

Board Structure Balance: The Combined Code principles recommend that at least half the Board members, excluding the Chairman, should comprise of non-executive Directors, except for smaller companies, which is a company that is below the FTSE 350 throughout the year immediately prior to the reporting year. A smaller company should have at least two independent non-executive Directors. Throughout 2008 the Group was deemed to be a smaller company and there had been either three or four non-executive Directors serving on the Board, (excluding the Chairman).

Independence: All non-executive Directors are regarded as independent in character and judgement. However, it is noted that one non-executive Director currently on the Board, R E Bailie, has served on the Board for more than nine years. Whilst the principles in the Combined Code point to a number of factors that might appear to affect the independence of non-executive Directors, including extended service on the Board, the principles also make it clear that a non-executive Director may still be considered independent notwithstanding the presence of one or more of the factors. The Board's view is that independence is determined by the non-executive's character, objectivity and integrity and that the extended service of the particular non-executive Director did not compromise the Director's independence and indeed, the level of experience brings significant valuable contribution to the Board. However, having considered the Guidance on Audit Committees (The Smith Guidance) with regard to the independence of the Audit Committee members, R E Bailie resigned as a member of the Audit Committee on 27 August 2008 having served on the Board for a period of nine years.

Senior Independent Director: The Senior Independent Director is available to shareholders for concerns which cannot be resolved by contact with the Chairman or the Chief Executive. Throughout 2008, K Lagan, an independent non-executive Director, has been designated as the Senior Independent Director.

Board Experience: Biographies of the Directors appear within the section on the 'Board of Directors' and these demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The non-executive Directors commit to providing sufficient time to the business of the Group. The Company Secretary ensures that the non-executive Directors receive appropriate induction and training as necessary. On joining the Board, they are given a comprehensive introduction to the Group and various documents are provided describing the company and its activities, financial information and terms of reference for the Board and its Committees. In addition, induction visits are arranged to the various Business Divisions. Continuing development and update is facilitated throughout the year including briefing sessions from various professional and regulatory bodies. The biographies also contain details of any other directorships held by the Board members.

Corporate Governance

Election and Re-election: Under the Company's Articles of Association the executive Directors do not retire by rotation. The Company adopts a policy, in line with the requirements of the Combined Code, whereby the executive Directors submit to re-election on a three year basis. Non-executive Directors are appointed for a three year term after which they must submit to re-election for each further three year term up to nine consecutive years. For any non-executive Director who has served on the Board for a period greater than nine years, the Director submits to re-election on an annual basis. The terms and conditions of appointment for non-executive Directors are made available at the Annual General Meeting of the Company.

Performance Evaluation: The Chairman conducted an internal review of the Board covering, inter alia, the role and organisation of the Board, meeting arrangements, information provision and Committee effectiveness. Following this review the Chairman met with each Director to discuss their views and to give feedback on individual performance. K Lagan, as Senior Independent Director, led a meeting of the non-executive Directors to appraise the performance of the Chairman. The results of the evaluation were reported to the Board and it was agreed that no further actions were required.

Company Secretary: All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for advising the members on governance matters, ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is an employee of the Group and attends all meetings of the Board and its Committees. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Insurance and Indemnities: The Directors and officers of the Group have the benefit of a directors and officer liability insurance policy. The Group has entered into deeds of indemnity with its Directors.

Board and the Committees of the Board

In 2008, the number of meetings of the Board and its Committees, and the attendance by the members is outlined in the following table:

	The Board	*Audit Committee*	*Remuneration Committee*	*Nomination Committee*
Number of meetings	10	5	2	2
J B McGuckian	10	-	-	2
R E Bailie (3)	10	4	2	2
K Lagan	9	5	2	2
H Kirkpatrick	10	5	2	2
S Reihill (1)	1	2	1	-
J McCann	10	-	-	-
J R Downey	10	-	-	-
S Taunton	10	-	-	-
P O'Brien (2)	7	-	-	-

(1) Appointed to the Board on 10 September 2008
(2) Resigned from the Board on 29 July 2008
(3) Resigned from the Audit committee on 27 August 2008

Corporate Governance

How the Board Operates

Board Meetings and Attendance: The Board plans to meet at least nine times a year, with additional meetings taking place as required. The attendance at the Board meetings is set out in the table above.

Board Responsibilities: The Board is responsible for the leadership and control of the Group and to its shareholders for the management of the Group. The Board has a formal schedule of matters specifically reserved to it for decision. These include setting and monitoring strategy, examining major acquisition possibilities, ensuring adequate funding, approving annual budgets, reviewing trading performance, assessing and maintaining the effectiveness of internal control, maintenance of corporate governance standards, formulating policy on key issues and appropriate reporting to the shareholders. The non-executive Directors have a particular responsibility to ensure that the strategies proposed by the executive Directors are fully considered. The Chairman ensures that the Directors take independent professional advice as required.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information including, inter alia, monthly management accounts and regular management reports which enable them to review and assess the Group and management performance against agreed objectives. Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings. Where considered appropriate, the management team who are responsible for operational decisions and the effective functioning of the principal activities within the Group, will present to the Board.

A statement of the Directors' responsibilities in respect of the financial statements is set out within the section on the 'Report of the Directors.'

A statement on going concern is set out within the section on the 'Financial Review.'

Board Committees: The Board has established three Committees to assist in the execution of some of its responsibilities with regard to (i) internal control, risk management and corporate governance, (ii) remuneration policies for Directors and (iii) appointments to the Board. These Committees are the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee has terms of reference under which authority is delegated to them by the Board. The terms of reference for the Committees are available on the website: www.utvmedia.com. The Chairman of each Committee reports to the Board on its deliberations and the Committee meeting minutes are circulated to all Directors.

Board Delegation: The Board has delegated responsibility for the management of the Group, through the Chief Executive, to executive management. The roles of the Chairman and the Chief Executive are separately held and are so defined in writing and approved by the Board, to ensure a clear division of responsibilities between them. The Chief Executive is accountable to the Board for the authority delegated to executive management.

Management Committee: The Chief Executive heads the Management Committee which comprises the executive Directors and members of the senior management team. This Management Committee formally meets at least nine times a year and meets much more frequently on a less formal basis, as is required to conduct Group business within the clearly defined limits delegated by the Board, ensuring an appropriate level of executive focus on Group-wide performance and risk management.

Corporate Governance

Report of the Nomination Committee

Composition: The Nomination Committee is chaired by J B McGuckian, the Chairman of the Group and its other members are R E Bailie, K Lagan, H Kirkpatrick and S Reihill who was appointed to the Committee on 10 September 2008, all of whom are non-executive Directors.

Nomination Committee Meetings and Attendance: The Nomination Committee met twice in 2008. The attendance at the Nomination Committee meetings is set out in the table above.

Responsibilities: All members of the Board are subject to re-election at least every three years. The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In so doing it considers the skills, knowledge, experience and time commitments of any proposed candidates. It has the power to employ the services of such advisers and to take such soundings within and outside the Group as it deems necessary to fulfil its responsibilities. Major shareholders are given the opportunity to meet with newly appointed non-executive Directors. The Nomination Committee also has responsibility for reviewing any succession planning issues with regard to executive and non-executive Directors.

Activities in 2008: During 2008, the Committee identified and recommended to the Board a suitable candidate for appointment to the Board as a non-executive Director, which resulted in the appointment of S Reihill on 10 September 2008 as a non-executive Director. Following the resignation from the Board of P O'Brien on 29 July 2008, the Committee recommended that J R Downey be appointed as an interim Group Finance Director while the Committee undertook a process of recruiting a suitable replacement to the Board. This resulted in the appointment of N McKeown as the Group Finance Director (Designate) on 17 November 2008, subsequently appointed to the Board on 11 March 2009.

Remuneration Committee

Composition: The Remuneration Committee is chaired by the independent non-executive Director, K Lagan and its other members are R E Bailie, H Kirkpatrick and S Reihill who was appointed to the Committee on 10 September 2008, all of whom are non-executive Directors.

Remuneration Committee Meetings and Attendance: The Remuneration Committee met twice in 2008. The attendance at the Remuneration Committee meetings is set out in the table above.

Responsibilities: The Committee is responsible for making recommendations to the Board within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The Board approves the remuneration policy each year and considers whether the policy should be put to the shareholders at the Annual General Meeting. The Committee determines the contract terms, remuneration and other benefits for each of the executive Directors, including performance related bonus schemes, pension rights and compensation payments. It also considers the remuneration of senior management within the Group. The Board itself determines the remuneration of the Chairman and non-executive Directors. The Committee is advised as required by a leading firm of remuneration consultants, New Bridge Street Consultants LLP, who have no other connection to the Group.

Activities in 2008: Further details of the Group's policies on remuneration, service contracts and compensation payments are given in the section on the 'Report of the Board on Directors' Remuneration'.

Report of the Audit Committee

Composition: The Audit Committee is chaired by the independent non-executive Director, H Kirkpatrick and the other members are K Lagan and S Reihill who are both also independent non-executive Directors. R E Bailie, a non-executive Director, retired from the Committee on 27 August 2008 and S Reihill, an independent non-executive Director, was appointed to the Committee on 10 September 2008. The Board has satisfied itself that all members of the Audit Committee have recent and relevant financial experience. The Committee normally meets not less than four times annually. The Committee provides a forum for reporting by the Company's external and internal auditors. By invitation, the meetings may also be attended by the Chairman and the other non-executive Director, the Group Chief Executive, the executive Directors, the designate executive Director, the Group Internal Auditor and representatives of the External Auditors. Other members of the senior management team will attend when necessary. The Committee also meets separately with the External Auditors and the Group Internal Auditor.

Audit Committee Meetings and Attendance: The Audit Committee met five times in 2008. The attendance at the Audit Committee meetings is set out in the table above.

Corporate Governance

Responsibilities: The Audit Committee is responsible for reviewing a wide range of matters including the half year and annual financial statements before their submission to the Board and monitoring the controls which are in force to ensure the integrity of any financial information reported to the shareholders. The Audit Committee also reviews the effectiveness of the internal control and risk management systems operated in the Group prior to endorsement by the Board.

The Audit Committee keeps under review the effectiveness of the External Auditor's work in terms of nature, scope and results of the audit and the cost effectiveness. It advises the Board on appointment of External Auditors and on their remuneration both for audit and non-audit work. The Audit Committee also keeps under review the independence and objectivity of the External Auditors by regularly monitoring the other services being provided to the Group by its External Auditors to ensure that this does not impair their independence and objectivity. It asks the auditors to confirm to the Committee that in relation to the services provided to the Group, that they comply with relevant UK professional and regulatory standards, so that their objectivity is not compromised.

The Audit Committee reviews the arrangements by which staff may raise concerns in confidence about possible improprieties, in all matters. The arrangements are defined in the UTV Public Interest Disclosure ('Whistleblowing') Policy.

Activities in 2008: The Audit 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. The Audit Committee met five times and discharged its responsibilities by:

- Reviewing the Financial Statements issued by the Group for both interim and final results prior to Board approval and reviewing the appropriateness of the Group's accounting policies and estimates.
- Satisfying itself that the arrangements for staff to raise valid concerns in confidence are appropriate. There were no issues raised by this mechanism.
- Meeting privately with the Group Internal Auditor and the External Auditors without the executives being present, to discuss any issues arising in the course of performing their duties and their work undertaken.
- Reviewing and approving the annual External Audit planning memorandum.
- Reviewing the External Auditor's reports on their work and addressing any significant findings raised in the Management Letter.
- Reviewing the effectiveness and performance of the External Auditors.
- Satisfying itself as to the continuing independence of the External Auditors and that there are appropriate policies determining the non-audit services that the External Auditors can provide and the procedures required for pre-approval of any such engagement.
- Recommending a resolution for the AGM for the reappointment of the External Auditors for 2008.
- Reviewing and approving the Internal Audit function's strategic plan and annual operational plan and monitoring the on going progress of delivery throughout the year.
- Considering the Internal Audit reports and assurance levels, the recommendations made, the proposed actions to be taken by management to implement recommendations. Monitoring the progress actively made in the implementation of recommendations.
- Reviewing the effectiveness and performance of the Internal Audit function.
- Reviewing the results of management's risk assessment processes.
- Reviewing the effectiveness of the internal control and risk management systems operated in the Group prior to endorsement by the Board.
- Considering guidance and updates issued by the Financial Reporting Council in November 2008 in respect of going concern and liquidity risk challenges arising from current economic conditions.

Corporate Governance

Internal Control and the Control Environment

The Board is responsible for establishing and maintaining a sound system of internal control in the Group and for reviewing the effectiveness of the systems. The primary responsibility for the operation of the internal control systems is delegated to the executive management. Internal control systems are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

In accordance with the guidance of the Turnbull Committee on internal control, an ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group. The Group's key internal control procedures can be summarised as follows:

- ***Financial Review Process***

  The Board undertakes a comprehensive review of the financial cycle. The Board, following on from the annual business planning review, approves the annual budget. Performance is monitored monthly, compared to budget and the prior year, the reasons for variances explained and relevant action taken swiftly, allowing updated forecasts to be produced, where applicable, throughout the year.
- ***Operational Review Process***

  The Board is provided with relevant, accurate and timely information, based on management information systems, which are continually being improved and updated. This facilitates the Board to regularly review key performance indicators on the Group's operations.
- ***Management Structure and Delegation of Authority***

  The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. The executive Directors together with the senior management team constitute a Management Committee, which meets to discuss day-to-day operational matters. Each executive Director has been given responsibility for specific aspects of the Group's affairs with clearly stated lines of reporting and responsibility, supported by the appropriate framework for delegation of authority and authorisation to incur expenditure.
- ***Quality, Integrity and Business Conduct***

  The Board considers the quality and integrity of its personnel as an essential part of the control environment and the ethical standards expected are communicated through a formal Code of Business Conduct which allows staff to raise concerns in confidence. The appointment of senior executives within the Group requires the approval of the Board.
- ***Control Environment and Procedures***

  Financial and non-financial controls, policies and procedures are kept under ongoing review by both the senior management team and Internal Audit to ensure they remain effective and reflect the current risk profile of the activities or transactions in the Group.
- ***Risk Management***

  The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate level of controls and procedures to manage and monitor those risks including taking the appropriate actions to mitigate the risks. These risks are reviewed regularly by the Board throughout the year assisted by periodic reports from senior management updating the Board on newly identified risk areas, how these are currently being addressed and any further actions or controls that are due to be established.

The executive Directors and the senior management team are responsible for implementing the risk management strategy and ensuring that an appropriate framework is operating effectively across the Group, demonstrating that robust and embedded risk management processes are operated throughout all aspects of the Group's operations and activities. They discharge this responsibility by establishing an ongoing risk assessment process whereby key risks in each Business Division are kept under regular review and monitored throughout the year by the Management Committee. Key summaries and analysis are reported to the Board and Audit Committee by the executive Directors and form an integral part of the Board meetings. This ensures that the key risks are given the due level of focus and that appropriate responsive action plans are developed and implemented. Various outputs of the ongoing risk assessment process are considered in the development of the internal audit plans and assist the external audit function in planning their work.

Corporate Governance

- ***Monitoring and Reviewing Internal Control***
  Controls are monitored by a number of different parties including all levels of management, by the executive Directors, and by the Internal and External Auditors. The Audit Committee is required to review the effectiveness of the internal control process with these parties and to consider the relevant action needed in respect of any control issues raised by the Internal and External Auditors. The Audit Committee reports its findings to the Board who conclude on the effectiveness of the systems of internal control, in line with the requirements of the Combined Code.

The Audit Committee has confirmed that it has conducted a review of the effectiveness of the systems of internal control, including financial, operational and compliance controls, and risk management systems, as it operated during the year. The key processes applied in doing so are included in the Report of Activities in 2008 for the Audit Committee. Other key processes used by the Audit Committee in carrying out its review includes the consideration of regular reports from the executive Directors and the senior management responsible for areas of the Group's business, the reports provided by the Internal Audit function, the reports of the External Auditors, the reports from relevant regulatory bodies and the review of the management's risk assessment process. The Audit Committee has reported its conclusions to the Board.

The Board confirm that their processes for review of the effectiveness of the internal controls, and their processes for identifying, evaluating and managing significant risks, is in accordance with the updated Turnbull guidance, and the processes have been in place for the full year under review and up to the date of approval of the Annual Report and Financial Statements. The processes are subject to continuous development.

Communications with Shareholders

Communications with shareholders are given high priority. The Board is accountable to the shareholders and as such it is important for the Board to appreciate the requirements of the shareholders and equally that the shareholders understand how the actions of the Board and short-term financial performance relate to the achievement of the Group's longer term goals. Accordingly, the Chairman's Statement and the sections on the Business Review and Financial Review include a detailed review of the business and future developments.

The reporting calendar is largely directed by the publication of the interim and final reports each year. There is regular dialogue with institutional shareholders after the Group's preliminary announcement of the year end results, at the half year and for the Interim Management Statement. Formal feedback from the shareholders after these meetings is provided through the Brokers and is made available to the non-executive Directors. At other times during the year, presentations to analysts and updates to the stock exchange are made available to shareholders via the company's website.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. All Directors attend the Annual General Meeting and are available to answer questions. In line with the Combined Code, the Annual Report and Financial Statements will be sent to Shareholders to allow at least 21 clear days notice in writing before the Annual General Meeting.

Details of the resolutions to be proposed at the Annual General Meeting can be found in the Notice of the meeting. The Group uses the services of its solicitors and Computershare to advise on the information that the Group is required to make available on proxies received for resolutions. All proxy votes will be counted and declared for each resolution at the Annual General Meeting, after the vote from the members present. A vote withheld box is included on all proxy forms.
Any shareholder wishing to contact the Chairman, the Senior Independent Director or any of the non-executive Directors may do so at the Company's Registered Office.

Report of the Board on Directors' Remuneration

Information not subject to audit

Remuneration

This report is prepared on the basis of regulations in the United Kingdom and Listing Rules. The report is divided into two sections, the first contains information that is not audited and the second section contains audited information.

The Remuneration Committee comprises three non-executive Directors appointed by the Board. It is chaired by K Lagan and its other members are R E Bailie, H Kirkpatrick and S Reihill who became a member on 10 September 2008. The Committee determines an overall remuneration package for executive Directors and seeks to ensure comparability within the marketplace, paying particular attention to the remuneration levels of other companies in the Media industry in the UK. The Remuneration Committee is advised on Directors' remuneration by New Bridge Street Consultants LLP. This firm does not provide any other material advice to the Group.

J McCann and J R Downey have service contracts with the Company dated 16 October 2007. S Taunton has a service contract with the Company dated 1 July 2006.

The Remuneration Committee reviews and approves all elements of the executive Directors' contracts and remuneration packages.

- All service contracts provide for notice periods from the Company and the executive Director of not more than twelve months.
- Basic salaries reflect remuneration levels in the media industry in the UK.
- The annual bonus scheme has been capped at 80% of basic salaries.

None of the Directors' service contracts provide for pre-determined amounts of compensation in the event of early termination except in the event of change of control of the Company when remuneration shall be paid in respect of any unexpired notice period on termination of employment by the Company. However, the remuneration committee considers the circumstances of the individual cases of early termination and in exceptional circumstances only would recommend compensation payments outwith of the company's contractual obligations.

The non-executive Directors have Letters of Appointment with the Company which provide for an initial period of three years, subject to review but do not include notice periods in excess of one year or predetermined compensation on termination. Dates of appointment are detailed in the Board of Directors Report.

The individual components of the remuneration package for 2008 and subsequent years are described below.

Basic salary and benefits

The salary and benefits are reviewed annually. Benefits comprise a car, fuel, private healthcare and necessary business equipment.

Bonuses

Bonuses which are not guaranteed are payable to the executive Directors and certain senior executives based on achievement of pre-determined performance targets. Based on the earnings achieved in 2008 no bonuses are payable.
Bonuses in 2009, which are not guaranteed, are capped to a maximum of 80% of basic salaries at the year end. Earnings growth based on continuing operations but before exceptional items of 13% is required in order to achieve the maximum bonus.

Report of the Board on Directors' Remuneration

Long Term Incentives

In 2006 the Company put in place a long term incentive plan for certain UTV senior executives. In designing the Company's long term incentive plan, the remuneration committee followed the provisions in Schedule A of the Combined Code, in line with current market practice. Executives were granted awards of up to 100% of basic salary which are payable in shares at the end of three years to the extent that performance criteria are met. The performance criteria are based on the growth in diluted, adjusted earnings per share (EPS) in excess of the Retail Price Index (RPI) over the three year period from the commencement of the financial year in which the awards were granted. (This is described in more detail in the section 'Interests in long term incentive plan'). The performance conditions are aimed to align directors' performance to shareholder value and were selected by the Remuneration Committee on the advice of the Company's remuneration consultants.

Pensions

Two current executive Directors, J McCann and S Taunton are members of the UTV Company pension scheme. The pension benefits payable to J McCann are 1/30th of final pensionable salary for each year of pensionable service, subject to a maximum of 20 years. Final pensionable salary is the basic salary as at the previous 1 July together with an allowance for benefits in kind. In the event that the Company requests early retirement, J McCann is entitled to a pension enhancement or a cash equivalent of this on a defined basis. Pension benefits payable to S Taunton are 1/50th of accrued service up to 1 June 2003 and 1/60th thereafter, subject to Inland Revenue limits. J R Downey opted not to join any of the Group's pension schemes. In certain cases due to Inland Revenue limits, in order to satisfy the above policies contributions are paid into unfunded arrangements or personal pension plans.

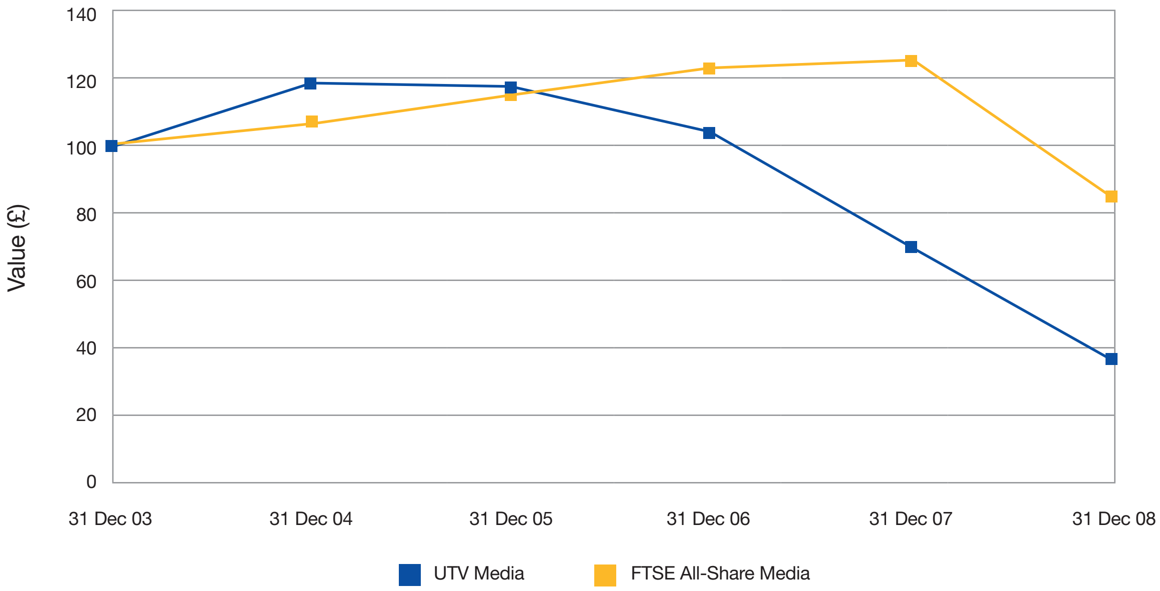
Compensation payments

During the year the remuneration committee considered the circumstances of P O'Brien's resignation from the Board and recommended a cash compensation payment as disclosed in the Directors Remuneration section of this report.

Performance graph

This graph looks at the value, by the end of 2008, of £100 invested in UTV on 31 December 2003 compared with that of £100 invested in the FTSE All-Share Media Index. The other points plotted are the values at intermediate financial year-ends.

Total Shareholder Return
Source: Thomson Financial



The Media sector has been chosen as the Company is a constituent of the sector and it is felt that this is therefore the most appropriate index to include in the graph.

Report of the Board on Directors' Remuneration

Information subject to audit

Directors' remuneration

The fees for non-executive Directors are determined by the Board.

Directors' remuneration is made up as follows:

	Basic salary and fees £	Benefits £	Bonus £	Compensation for loss of office £	2008 Total £	2007 Total £
Executive directors:						
J McCann	407,500	34,415	-	-	441,915	623,743
J R Downey	185,000	19,497	-	-	204,497	268,403
S Taunton	262,500	15,432	-	-	277,932	364,884
P O'Brien	107,917	14,239	-	275,000	397,156	288,919
Non-executive directors:						
J B McGuckian	85,250	33,635	-	-	118,885	115,055
R E Bailie	32,000	-	-	-	32,000	30,000
K Lagan	32,000	-	-	-	32,000	30,000
H Kirkpatrick	32,000	-	-	-	32,000	10,346
S Reihill	9,867	-	-	-	9,867	-
M H Morrow	-	-	-	-	-	27,500
	1,154,034	117,218	-	275,000	1,546,252	1,758,850

The remuneration amounts for P O'Brien reflect his remuneration for the period until he resigned on 29 July 2008 and those for S Reihill reflect his remuneration for the period from 10 September 2008 when he was appointed to the Board. The 2007 comparative amounts for M H Morrow reflect her remuneration for the period until she retired on 30 November 2007 and those for H Kirkpatrick reflect her remuneration for the period from 29 August 2007 when she was appointed to the Board.

The benefits for the Chairman consist of a car, fuel and necessary business equipment. Benefits for the executive Directors comprise a car, fuel, private healthcare and necessary business equipment.

Report of the Board on Directors' Remuneration

Pension entitlements

The pension entitlements of the Directors are as follows:

	Increase, excluding inflation, in accrued pension during the year £	Transfer value of increase £	Accumulated total accrued pension at 31 December 2008 £	Increase, including inflation, in accrued pension during the year £	Accumulated total accrued pension at 31 December 2007 £
J McCann	16,724	328,800	254,425	18,844	235,581
S Taunton	4,850	32,000	21,689	5,000	16,689

	Transfer value of accrued pension at 31 December 2008 £	Increase in transfer value of accrued pension £	Transfer value of accrued pension at 31 December 2007 £
J McCann	5,373,600	1,393,900	3,955,200
S Taunton	248,600	86,700	138,300

These transfer values are liabilities of the pension fund, not a sum due or paid to the executive Director. The increase in the transfer values of accrued pension is stated net of the member contributions paid during the year by J McCann and S Taunton amounting to £24,500 and £23,600 respectively.

As a result of the Finance Act 2004, J McCann stopped accruing service in the UTV Scheme from 31 March 2006. Since then his pension entitlements have been accrued and are to be paid to an unfunded arrangement. At the year end an amount of £469,000 (2007: £353,000) has been accrued by the company in respect of this. In the table above the figures relate to total pension entitlement from both sources - UTV Company pension scheme and the unfunded arrangement.

For the period to 30 June 2007 S Taunton had a proportion of his pension contribution paid into a personal pension plan. Contribution to this scheme by the company during this period amounted to £Nil (2007: £8,226).

In addition the company contributed £16,187 (2007: £27,000) to a personal pension scheme on behalf of P O'Brien.

Report of the Board on Directors' Remuneration

Interests in share options

During 1999 the Company put in place a share option scheme to incentivise employees. The outstanding options and the related exercise prices have now been restated to reflect the impact of the 2 for 3 rights issue of ordinary shares in July 2008. The following directors are able to subscribe for or acquire ordinary shares in the Company under the share option scheme.

	Year of grant	*Exercise price*	*At 31 December 2008 No.*	*(Restated) At 31 December 2007 No.*
J McCann	1999	£1.81	297,874	297,874
	2001	£2.51	103,660	103,660
			401,534	401,534
J R Downey	1999	£1.81	88,185	88,185
			489,719	489,719

These options are exercisable until 28 April 2009. No further option grants are capable of being made under this scheme. No options held by the directors were exercised or lapsed during the year.

The market price of the Company's shares on 31 December 2008 was 110.00p per share and the high and low share prices during the year were 264.00p and 78.75p respectively.

Share options are not made available to non-executive directors.

Report of the Board on Directors' Remuneration

Interests in the long term incentive plan

The following directors were granted awards under the Company's long term incentive plan on 29 June 2006. The awards and related market prices have been restated to reflect the 2 for 3 rights issue of ordinary shares in July 2008.

	(Restated) At 1 January 2008 No.	*Interest awarded in the year No.*	*At 31 December 2008 No.*	*End of qualifying period*	*Market price at date of award*
J McCann	114,719	-	114,719	31 Dec 08	321.65p
J R Downey	48,188	-	48,188	31 Dec 08	321.65p
S Taunton	48,188	-	48,188	31 Dec 08	321.65p

The vesting of these awards was dependent upon the Company's total EPS growth over the three years from the commencement of the financial year in which the awards were granted. For awards to vest the total EPS growth was required to exceed RPI by at least 12%. As this was not achieved, no awards will vest.

The following directors were granted awards under the Company's long term incentive plan on 23 April 2007. The awards and related market prices have been restated to reflect the 2 for 3 rights issue of ordinary shares in July 2008.

	(Restated) At 1 January 2008 No.	*Interest awarded in the year No.*	*At 31 December 2008 No.*	*End of qualifying period*	*Market price at date of award*
J McCann	97,116	-	97,116	31 Dec 09	391.28p
J R Downey	40,891	-	40,891	31 Dec 09	391.28p
S Taunton	51,114	-	51,114	31 Dec 09	391.28p
P O'Brien (1)	44,725	-	-	31 Dec 09	391.28p

(1) These awards were forfeited upon resignation of P O'Brien on 29 July 2008.

Report of the Board on Directors' Remuneration

Interests in the long term incentive plan (continued)

The following directors were granted awards under the Company's long term incentive plan on 26 March 2008. The awards and related market prices have been restated to reflect the 2 for 3 rights issue of ordinary shares in July 2008.

	At 1 January 2008 No.	*Interest awarded in the year No.*	*At 31 December 2008 No.*	*End of qualifying period*	*Market price at date of award*
J McCann	-	170,354	170,354	31 Dec 10	234.81p
J R Downey	-	72,400	72,400	31 Dec 10	234.81p
S Taunton	-	106,470	106,470	31 Dec 10	234.81p
P O'Brien (1)	-	78,788	-	31 Dec 10	234.81p

(1) These awards were forfeited upon resignation of P O'Brien on 29 July 2008.

The amount of awards granted in 2007 and 2008 that vests to each director increases in accordance with the level of EPS growth achieved, with no award vesting until the Company's total EPS growth over the three years from the commencement of the financial year in which the awards were granted exceeds RPI by 9%. If this level of EPS growth is achieved, 25% of the award will vest. Additional vesting will be achieved on a straight line basis for further growth above this up to the maximum of 100% for EPS growth in excess of RPI by 24%.

The awards may be exercisable in the six month period from the date of vesting.

Report of the Directors

To be presented at the Annual General Meeting of the Company to be held on 21 May 2009.

1. Annual report

The Directors have pleasure in presenting their Annual Report, together with the Audited Financial Statements of the Group for the year ended 31 December 2008.

2. Results and dividends for the year

The Group profit for the year, after taxation, amounted to £9,261,000 of which £8,980,000 is attributable to the members of the Company.

Dividends amounting to £7,907,000 were paid during the year representing a final ordinary dividend for 2007 of 13.50p per share and an interim ordinary dividend for 2008 of 3.30p per share.

A final dividend of £1,908,000 representing 2.00p per share is proposed for approval at the Annual General Meeting. If approved, warrants in respect of it will be despatched on 15 July 2009 to shareholders on the register at the close of business on 29 May 2009.

3. Principal activities

The principal activities of the Group are the provision of:

- the regional Channel 3 television service for Northern Ireland through UTV Limited;
- radio services in Great Britain through UTV Radio (GB) Limited;
- radio services in Ireland through UTV Radio (ROI) Limited; and
- new media services in Ireland through UTV Internet Limited and The Internet Business Limited.

4. Business development review

A review of the business development of the Group during the year, its position at the year end, the principal risks and uncertainties facing the group, important events which have occurred since and indications of future developments in the business are provided in the Business Review and the Financial Review.

5. Employee participation

The Group recognises the importance of providing opportunity for employee involvement and consultation as a means of achieving corporate objectives.

Policies and procedures exist to provide employees and their representatives with the information necessary to enable consultation on a wide range of topics including staff matters, programme schedules and production, revenue performance and operational facilities.

Joint Committees review matters relating to Health and Safety, Environment, Information Technology, Operations and Sports and Social Activities.

Report of the Directors

6. Equal opportunities

The Group provides equality of opportunity for all staff and job applicants. All recruitment, promotion and training is based upon an individual's ability and job performance and excludes any consideration of gender, marital or family status, religious belief or political opinion, disability, age, nationality, race or ethnic origin, or sexual orientation.

The Group complies with the legislation and codes of practice governing Fair Employment, Equal Opportunities, Race Relations, Disability and Age. The Group also proactively reviews its Equal Opportunities policies and procedures, developing and implementing any appropriate affirmative action measures.

The Group's commitment to Equal Opportunities is further demonstrated by the appointment of Equality Advisors and training for staff in Equal Opportunity issues.

7. Training

The Group is fully committed to training staff to develop the skills and knowledge necessary to meet its business objectives. The development needs of both our staff and individuals from the independent sector of the industry are met through a broad range of both on and off-the-job development activities.

8. People with disabilities

The Group complies with disability legislation and ensures that a disabled staff member, job applicant or visitor is not treated less favourably than someone else because of their disability. It is Group policy to provide people with disabilities equal opportunities for employment, training and career development, having regard to aptitude and ability. The Group will also make reasonable adjustments in order to help a disabled staff member to carry out their role. This commitment to the promotion of equality of opportunity for people with disabilities also extends to our programme output and to our work within the community.

9. Corporate social responsibility

The Group is a member of Business in the Community (BITC) and the Group's Chief Executive John McCann is a member of the Board of BITC in Northern Ireland. BITC operates across the UK and Ireland and is committed to continually improving its positive impact on society. BITC has a core membership of over 750 companies including 70% of the FTSE 100. Almost 250 of these are members in Northern Ireland.

The Group has been investing in local communities through offering resources, staff time and experience to help community organisations get ahead and meet their objectives. Such investment brings real benefits to staff, the business and the community. One aspect of this support is the free provision of our studio facilities to local voluntary, charitable, sporting and enterprise bodies. Many of these groups could not otherwise afford such a high profile platform or reception.

In addition, the Company offers tours of the studios to groups of schoolchildren, groups from ethnic communities and group of individuals who have disabilities.

The Group is a member of Opportunity Now, a business-led campaign which works with employers to realise the economic potential and business benefits that women at all levels contribute to the workforce.

UTV has met the FTSE4Good criteria and is therefore a constituent member of the FTSE4Good Index Series. For inclusion, eligible members must meet criteria requirements in five areas:

- Working towards environmental sustainability
- Developing positive relationships with stakeholders
- Up-holding and supporting universal human rights
- Ensuring good supply chain labour standards
- Countering bribery

This achievement demonstrates UTV's commitment to responsible business practise and management of its social, environmental and ethical risks. Further information on how the Group meets its responsibilities is contained on the UTV corporate website www.utvmedia.com.

Report of the Directors

10. Environmental practices

The Group recognises that its business activities inevitably have an impact on the environment. Consequently an environmental policy has been put in place, which seeks to encourage employees to be environmentally aware and to achieve the highest standards of good environmental practice. The Group endeavours to minimise the level of waste and the risks of pollution in all areas of its operation and has a continually improving recycling practice in place throughout all departments.

The Group recognises the need to educate and inform all employees of policies, plans and developments with the Environmental Management System and these are communicated to the workforce through regular environmental newsletters.

11. Charitable and political donations

Charitable donations by the Group in the year amounted to £7,000 (2007: £17,000). No donations were made for political purposes during the year (2007: £Nil).

12. Suppliers

The Company did not trade during the period. Should trading commence the Company's normal payment policy is to pay invoices at the end of the month following the month in which the invoices are issued.

13. Treasury shares

The UTV Employee Benefit Trust, which is a discretionary trust for the benefit of employees of UTV Media plc purchased a further 100,000 ordinary shares in UTV Media plc on 27 March 2008 in the market at a price of 258.00p per share and took up its rights issue of 199,999 ordinary shares at 130.00p per share on 14 July 2008, the funds being provided for these acquisitions by the Group. This brings the total number of shares held to 499,999. These shares are held to contribute towards the anticipated entitlement of senior executives to the vesting of awards in the long term incentive plans.

Report of the Directors

14. Directors and their interests

The Directors of the Company during the year were those shown in 'Board of Directors' plus P O'Brien who resigned from the Board on 29 July 2008.

The Directors and their families had interests in the shares of the Company as follows:

	At 31 December 2008 Ordinary shares of 5p each	*At 31 December 2007 Ordinary shares of 5p each*
J B McGuckian	71,950	43,170
J McCann	364,298	218,579
R E Bailie	424,210	254,526
J R Downey	174,736	104,842
K Lagan	176,482	117,815
S Taunton	250,061	150,037
H Kirkpatrick	7,318	4,391

J McCann, J R Downey and S Taunton are included as potential beneficiaries under the UTV Employee Benefit Trust and are deemed to be interested in the shares held by this Trust. No Directors have acquired or disposed of any ordinary shares in the Company during the period from the end of the financial year to 11 March 2009.

No Director had any interests in the shares of any subsidiary company.

The executive Directors, along with other employees, have been granted share options through the share option and long term incentive plans as disclosed in the 'Report of the Board on Directors' Remuneration'.

Under Article 111.2 of the Company's Articles of Association, J B McGuckian and R Bailie at the date of the Annual General Meeting will have held office for nine years and therefore retire and offer themselves for re-election.

In accordance with Article 110 of the Company's Articles of Association, S Reihill who was appointed to the Board of Directors on 10 September 2008 and N McKeown who was appointed to the Board of Directors on 11 March 2009 both retire at the Annual General Meeting and being eligible offer themselves for election.

In accordance with Article 111.1 of the Company's Articles of Association, J McCann, S Taunton and K Lagan at the date of the Annual General Meeting will have held office for three years and therefore retire and offer themselves for re-election.

None of the Directors who are proposed for re-election have unexpired terms on their contract. The executive Directors have a 12 month notice period.

15. Directors' Liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies (Northern Ireland) Order 1986. Such qualifying third party indemnity provisions remains in force as at the date of approving the 'Report of the Directors'.

During the year, J McCann, J B McGuckian and J R Downey were trustees of the UTV Company pension scheme. In terms of the Radio Partnership pension scheme The Wireless Group Limited is the trustee, however it is represented by J McCann, J R Downey and S Taunton. The Company has granted indemnity against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 235 of the Companies Act 2006. These qualifying pension schemes indemnity provisions remain in force as at the date of approving the 'Report of the Directors'.

Report of the Directors

16. Financial instruments

The Group's financial risk management objectives and policies are discussed in note 30.

17. Substantial shareholdings

The company has been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 11 March 2009.

Up to 11 March 2009 except for the holdings of ordinary shares listed below, no party has notified an interest in the ordinary shares of the Company which is required to be recorded in the register under Article 219 of the Companies (Northern Ireland) Order 1986.

	Ordinary shares	*Percentage of that class*
TVC Holdings (1)	17,240,262	17.98%
Organo Investments	13,697,498	14.28%
Fidelity International Limited	5,502,602	5.74%
Legal & General Investment Management	4,684,898	4.89%
Milestone Trust	4,625,000	4.82%
F&C Asset Management	3,874,089	4.04%
AIB Investment Managers	3,540,808	3.69%

(1) S Reihill is a shareholder of TVC Holdings

18. Additional information for shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK Law.

At 31 December 2008, the Company's issued share capital comprised:

	Number thousands	*Value £000*
Ordinary shares of 5p each	95,903	4,795

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights.

Ordinary shares
On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting (see notice of general meeting) specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the company's website after the meetings.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- Pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the company require the approval of the company to deal in the company's securities.

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. Directors are reappointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. Any director who has held office for more than three years since their last appointment must offer themselves up for re-election at the Annual General Meeting. Any non-executive director who at the date of the Annual General Meeting had held office for nine years or more shall be subject to re-election at each Annual General Meeting.

Report of the Directors

Significant interests

Directors' interests in the share capital of the Company are set out in point 14. Major interests (i.e., those greater than 3%) of which the Company has been notified are shown in point 17 to this report.

Company share schemes

The UTV Employee Benefit Trust, holds 0.52% of the issued share capital of the Company in trust for the anticipated entitlement of senior executives to the vesting of awards in the long term incentive plan. The voting rights in relation to these shares are exercised by the trustees.

Change of control

Other than disclosed below the Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Company is party to a number of banking agreements, which upon a change of control of the Company can be terminable by the bank upon the provision of 60 days notice.

In the event of change of control of the Company the Directors' service contracts provide that the Company shall pay remuneration in respect of any unexpired notice period on termination of employment.

19. Auditors

Ernst & Young LLP has expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

20. Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the report of the directors are listed in the 'Board of Directors'. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director may reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

Ormeau Road
Belfast
BT7 1EB

N McKeown
Company Secretary
30 March 2009

Statement of Directors' Responsibilities in Relation to the Group Financial Statements

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements comply with the Companies (Northern Ireland) Order 1986 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Statement of Responsibility

The Directors confirm to the best of their knowledge that:

- The Group financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of UTV Media plc and the undertakings included in the consolidation taken as a whole; and
- The Directors Report together with the Business Review and Financial Review includes a fair review of the development and performance of the business and the position of UTV Media plc and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The financial statements were approved by the Board on 30 March 2009 and the above responsibility statement was signed on its behalf by the Group Chief Executive:

John McCann
Group Chief Executive
30 March 2009

Report of the Auditors

Independent auditor's report to the members of UTV Media plc

We have audited the group financial statements of UTV Media plc for the year ended 31 December 2008 which comprise the Group Income Statement, Group Statement of Recognised Income and Expense, Group Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 33. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of UTV Media plc for the period ended 31 December 2008 and on the information in the Report of the Board on Directors' Remuneration that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. 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 Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and 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 Chairman's Statement, the Business Review and the Financial Review that is cross referred from the Business Development Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's 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 Group financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Financial Review, the reports on Radio GB, Radio Ireland, Television and New Media, the Corporate Governance statement, the unaudited part of the Report of Board on Directors' Remuneration and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Report of the Auditors

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 Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Ernst & Young

Ernst & Young LLP
Registered auditor
Belfast
30 March 2009

Group Income Statement

For the year ended 31 December 2008

	Notes	Results before Exceptional Items 2008 £000	Exceptional Items 2008 £000	Total 2008 £000	Results before Exceptional Items 2007 £000	Exceptional Items 2007 £000	Total 2007 £000
Continuing operations							
Revenue	3	**120,283**	-	120,283	**113,824**	-	113,824
Operating costs	5	**(92,431)**	-	(92,431)	**(86,012)**	-	(86,012)
Operating profit from continuing operations before tax and finance costs		**27,852**	-	27,852	**27,812**	-	27,812
Non-operational exceptional costs	4	**-**	(3,159)	(3,159)	**-**	(955)	(955)
Share of results of associates accounted for using the equity method		**260**	-	260	**244**	-	244
Profit from continuing operations before tax and finance costs	3	**28,112**	(3,159)	24,953	**28,056**	(955)	27,101
Finance revenue	8	**382**	-	382	**547**	-	547
Finance costs	9	**(8,526)**	(1,367)	(9,893)	**(7,961)**	-	(7,961)
Foreign exchange gain		**316**	-	316	**97**	-	97
Profit from continuing operations before tax		**20,284**	(4,526)	15,758	**20,739**	(955)	19,784
Taxation	10	**(4,396)**	(378)	(4,774)	**(4,876)**	1,376	(3,500)
Profit from continuing operations after tax	3	**15,888**	(4,904)	10,984	**15,863**	421	16,284
Discontinued operations							
Loss from discontinued operations	11	**(1,054)**	(669)	(1,723)	**(1,434)**	-	(1,434)
		14,834	(5,573)	9,261	**14,429**	421	14,850
Attributable to:							
Equity holders of the parent		**14,553**	(5,573)	8,980	**14,277**	421	14,698
Minority interests		**281**	-	281	**152**	-	152
		14,834	(5,573)	9,261	**14,429**	421	14,850

Earnings per share		***2008***	***2007***
Continuing operations			
Diluted	12	13.85p	26.86p
Basic	12	13.85p	27.19p
Adjusted	12	20.20p	26.86p
Diluted adjusted	12	20.20p	26.53p
Continuing and discontinued operations			
Diluted	12	11.62p	24.47p
Basic	12	11.62p	24.77p
Adjusted	12	18.84p	24.44p
Diluted adjusted	12	18.84p	24.14p

Group Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Income and expenses recognised directly in equity			
Exchange difference on translation of foreign operations		17,293	2,948
Net actuarial (loss)/gain on defined benefit pension schemes		(7,813)	1,514
(Loss)/Profits on cash flow hedges taken to equity		(1,855)	136
Tax on items taken directly to or transferred from equity	10	2,730	(24)
Transfers to the income statement		10,355	4,574
On cash flow hedges		(1,005)	(813)
Net income recognised directly in equity		9,350	3,761
Profit for the year	3	9,261	14,850
Total recognised income and expense for the year		18,611	18,611
Attributable to:			
Equity holders of the parent	29	18,330	18,459
Minority interests	29	281	152
Total recognised income and expense		18,611	18,611

Group Balance Sheet

At 31 December 2008

	Notes	2008 £000	2007 £000
ASSETS			
Non-current assets			
Property, plant and equipment	14	11,581	10,452
Intangible assets	15	270,542	189,628
Investments accounted for using the equity method	17	151	198
Other investments	17	-	300
Deferred tax asset	10	16,783	17,060
		299,057	217,638
Current assets			
Inventories	20	491	493
Trade and other receivables	21	30,895	27,931
Derivative financial assets	19	-	902
Cash and short term deposits	22	9,280	10,237
		40,666	39,563
TOTAL ASSETS		339,723	257,201
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Equity share capital	29	55,557	8,086
Capital redemption reserve	29	50	50
Treasury shares	29	(1,258)	(740)
Foreign currency reserve	29	18,646	1,353
Cash flow hedge reserve	29	(1,455)	902
Retained earnings	29	56,475	61,405
		128,015	71,056
Minority interest	29	593	312
TOTAL EQUITY		128,608	71,368
Non-current liabilities			
Financial liabilities	24	108,267	107,032
Pension liability	31	8,593	1,861
Provisions	26	1,100	910
Deferred tax liabilities	10	49,037	38,420
		166,997	148,223
Current liabilities			
Trade and other payables	23	31,612	25,103
Financial liabilities	24	8,650	10,391
Derivative financial liabilities	19	1,958	-
Tax payable		1,556	1,697
Provisions	26	342	419
Net current liabilities		44,118	37,610
TOTAL LIABILITIES		211,115	185,833
TOTAL EQUITY AND LIABILITIES		339,723	257,201

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2009. They were signed on its behalf by:

J McCann
N McKeown } Directors

Group Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Operating activities			
Profit before tax		13,575	17,736
Adjustments to reconcile profit before tax to net cash flows from operating activities			
Foreign exchange gain		(316)	(97)
Net finance costs before exceptionals		8,144	7,414
Share of results of associates		(260)	(244)
Non-operational exceptional costs		5,245	955
Depreciation of property, plant and equipment	14	1,879	1,829
Difference between pension contributions paid and amounts recognised in the income statement		(1,435)	(607)
Decrease in inventories		6	45
Decrease in trade and other receivables		417	1,282
Increase/(decrease) in trade and other payables		2,095	(2,616)
Increase in provisions		113	199
Profits from sale of property, plant and equipment		(5)	(30)
Share based payments		(417)	417
Cash generated from operations before exceptional costs		29,041	26,283
Exceptional costs		(1,492)	(1,723)
Tax paid		(443)	(417)
Net cash inflow from operating activities		27,106	24,143
Investing activities			
Interest received		409	534
Proceeds on disposal of property, plant and equipment		16	71
Purchase of property, plant and equipment		(1,963)	(1,257)
Dividends received from associates		154	91
Proceeds from disposal of subsidiary undertaking and business units		140	-
Proceeds from disposal of investment & joint venture		-	928
Outflow on acquisition of subsidiary undertaking		(46,108)	(1,140)
Acquisition of investment		-	(300)
Acquisition of trade and net assets		(100)	(400)
Net cash flows from investing activities		(47,452)	(1,473)
Financing activities			
Borrowing costs		(10,875)	(8,447)
Swap income		1,005	813
Proceeds from exercise of share options		-	107
Acquisition of treasury shares		(518)	(380)
Dividends paid to equity shareholders	13	(7,877)	(7,216)
Dividends paid to minority interests		-	(55)
Repayment of borrowings		(51,806)	(10,639)
Proceeds from borrowings		41,705	-
Share placement		-	5,346
Rights issue		47,529	-
Net cash flows used in financing activities		19,163	(20,471)
Net (decrease)/increase in cash and cash equivalents		(1,183)	2,199
Net foreign exchange differences		226	141
Cash and cash equivalents at 1 January		10,237	7,897
Cash and cash equivalents at 31 December	22	9,280	10,237

Notes to the Group Financial Statements

For the year ended 31 December 2008

1. Corporate information

The Group's financial statements for the year ended 31 December 2008 were authorised for issue by the Board of the Directors on 30 March 2009 and the balance sheets were signed on the Board's behalf by J McCann and N McKeown. UTV Media plc is a public limited company incorporated in Northern Ireland (NI 065086). The Company's ordinary shares are traded on the London Stock Exchange and the Irish Stock Exchange.

The principal activities of the Group are described in the Report of the Directors.

2. Summary of accounting policies

Basis of preparation and statement of compliance with IFRSs

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2008. The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2008 and applied in accordance with the Companies (Northern Ireland) Order 1986.

The Group and Company financial statements are presented in sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

Basis of consolidation

The Group financial statements comprise the financial statements of UTV Media plc ('the Company') and its subsidiaries (together, 'the Group') and the Group's share of its joint ventures and associates results. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities.

The results of a subsidiary acquired during the period are included in the Group's results from the effective date on which control is transferred to the Group. The results of a subsidiary sold during the period are included in the Group's results up to the effective date on which control is transferred out of the Group. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Judgements and key sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of indefinite life intangible assets (including goodwill) and the measurement of defined benefit pension obligations. The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate (note 16). Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate (note 31).

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

Investment in associate

The Group's investment in its associate is accounted for under the equity method of accounting. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies.

The investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the associates' equity, the Group recognises its share of any changes and discloses this, when applicable in the statement of changes in equity.

Investment in joint venture

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's interest in its joint ventures is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. The reporting dates of the joint venture and the Group are identical and both use consistent accounting policies.

Financial assets

Financial assets in the scope of IAS 39 are classified as available-for-sale financial assets or loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

Foreign currency translation

The financial statements for each of the Group's subsidiaries, joint ventures and associates are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

On consolidation, the results of foreign operations are translated into sterling at the average exchange rate for the period and their assets and liabilities are translated into sterling at the exchange rate ruling on the balance sheet date. Currency translation differences, including those on monetary items that form part of a net investment in foreign operations, are recognised in the currency translation reserve.

In the event that a foreign operation is sold, the gain or loss on disposal recognised in the income statement is determined after taking into account the cumulative currency translation differences that are attributable to the operation.

In the Cash Flow Statement, the cash flows of foreign operations are translated into sterling at the average exchange rate for the period.

As permitted by IFRS 1, the Group elected to deem cumulative currency translation differences to be £Nil as at 1 January 2004. Accordingly, the gain or loss on disposal of a foreign operation does not include currency translation differences arising before 1 January 2004.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis to charge the depreciable amount to the income statement over the estimated useful life of the asset at the following rates:

- Freehold and long leasehold buildings: 4 - 5%
- Leasehold improvements: 10 - 15%
- Equipment and vehicles : 10 - 33% depending on type

The residual values are based on prices prevailing at the balance sheet date. Useful lives and residual values are reviewed annually and any adjustments applied prospectively.

No provision for depreciation is made in respect of freehold land.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in the income statement in the year the item is derecognised.

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

Goodwill

Business combinations are accounted for using the purchase method. Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill in respect of an acquired subsidiary or joint venture is recognised as an intangible asset. Goodwill in respect of an acquired associate is included within investments in associates.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the income statement.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit, to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

As permitted by IFRS 1, the Group elected not to apply IFRS 'Business Combinations' to business combinations that were recognised before 1 January 2004. As a result, goodwill recognised as an asset under UK GAAP as at 1 January 2004 has not been revised retrospectively to identify and extract intangible assets to be recognised separate from goodwill.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those arising from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. A summary of the policies applied to the Group's intangible assets is as follows:

- Value attributable to radio licences acquired - indefinite life
- Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement within a separate line item before operating profit from continuing operations before tax and finance costs.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Programmes and sundry stocks

Programmes completed but not transmitted and programmes in the course of production are valued at cost, being directly attributable materials, labour and overheads. Programmes are written off on first transmission. Sundry stocks are valued at the lower of purchase cost and net realisable value. Net realisable value is the estimated selling price less applicable selling expenses.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired, as well as through the amortisation process.

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected cash flows at a rate which reflects current market assessments of the time value of money and the risks specific to the liability.

Pensions and other post employment benefits

The Group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds. The cost of providing benefits under the plans is determined separately for each plan using an independent actuarial valuation. This is based on the projected unit credit method and is recognised in accordance with the advice of qualified actuaries. Past service costs resulting from enhanced benefits are recognised on a straight-line basis over the vesting period, or immediately if the benefits have vested.

The Group has applied the option in IAS 19 allowing actuarial gains and losses to be recognised in full in the statement of recognised income and expense in the period in which they occur.

Actuarial gains and losses which represent differences between expected and actual returns on the plan assets and effect of changes in the actuarial assumptions, are recognised in full in the statement of recognised income and expense in the period in which they occur. The defined benefit liability or asset recognised in the balance sheet comprises the present value of the benefit obligation using a discount rate based on appropriate high quality corporate bonds, at the balance sheet date, minus any past service costs not yet recognised, minus the fair value of the plan assets, if any, at the balance sheet date. Where a plan is in surplus, the asset recognised is limited to the amount which the Group expects to recover by way of refunds or reduction in future contributions.

The Group also operates defined contribution pension schemes. Contributions are charged to the income statement as they become payable in accordance with the scheme's rules.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Treasury shares

UTV Media plc shares held by the Group are classified in shareholders' equity as 'treasury shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Borrowing costs

Borrowing costs are recognised as an expense when incurred in accordance with the benchmark accounting treatment under IAS 23.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Key classes of revenue are recognised on the following basis:

- Advertising and sponsorship: on transmission
- Provision of internet services: on delivery
- Interest: as interest accrues using the effective interest method

Taxation

The tax expense represents the sum of tax currently payable or recoverable in respect of the taxable profit or loss for the period plus any deferred tax charge or credit.

Current taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognised directly in equity is also recognised directly in equity and not in the income statement.

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

Taxation (continued)

Sales taxation

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Share based payments

The Group has a long term incentive share scheme under which it makes equity-settled share-based payments to eligible employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest. Fair value is estimated using appropriate models for the particular awards under consideration.

As allowed under its transitional provisions, IFRS 2 Share-based Payments has been applied only to equity-settled awards granted after 7 November 2002.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as foreign currency forward contracts and interest rate swap contracts to hedge the risks of investments in foreign entities plus changes in foreign currency and interest rates. Such derivative financial instruments are stated at fair value.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of derivative financial instruments is estimated with reference to the contracted value and the appropriate market value prevailing at each balance sheet date.

Changes in the fair value of derivative financial instruments which are designated as effective hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Dividends

Final dividends are recorded in the Group's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

Notes to the Group Financial Statements

For the year ended 31 December 2008

2. Summary of accounting policies (continued)

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations which are considered as relevant to the Group with an effective date after the date of these financial statements.

International Accounting Standards (IAS / IFRSs)		***Effective date***
IFRS 2	Amendment to IFRS2 – Vesting conditions and cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 7	Financial instruments: Disclosures (Amendment)	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IFRS's	Improvements to IFRS	various effective dates
IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Borrowing costs (revised March 2007)	1 January 2009
IAS 27	Consolidation and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 39	Eligible Hedged Items (Amendment)	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 14	The Limit in a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than should the Group make an acquisition following the adoption of IFRS 3, in which case the requirement for acquisition-related costs to be expensed and not included in the purchase price, and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill) could have an impact on any business combinations.

Whilst some of the above new standards will have no impact on the measurement of the Group's results or net assets it is likely to result in certain changes in the presentation of the Group's financial statements from 2009 onwards.

Notes to the Group Financial Statements

For the year ended 31 December 2008

3. Revenue and segmental analysis

Revenue represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax. Revenue from Radio and Television activities is generated from advertising and sponsorship. Revenue from New Media is generated from the provision of internet services. The amount of revenue derived from the sale of goods or other activities is immaterial and therefore has not been separately disclosed. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets.

(a) Business segments

The Group operates in four principal areas of activity – radio in GB, radio in Ireland, commercial television and new media. Discontinued operations relate to a number of loss making radio stations in GB which were identified for sale or closure. The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2008 and 2007.

Revenue

Year ended 31 December 2008

	Continuing Operations					
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*	*Discontinued Operations £000*
Sales to third parties	45,900	24,870	38,001	11,512	120,283	1,317
Intersegmental sales	1,005	1,173	1,317	-	3,495	-
	46,905	26,043	39,318	11,512	123,778	1,317

Year ended 31 December 2007

	Continuing Operations					
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*	*Discontinued Operations £000*
Sales to third parties	46,165	16,587	41,278	9,794	113,824	1,749
Intersegmental sales	1,028	719	977	60	2,784	-
	47,193	17,306	42,255	9,854	116,608	1,749

Notes to the Group Financial Statements

For the year ended 31 December 2008

3. Revenue and segmental analysis (continued)

(a) Business segments (continued)

Results

Year ended 31 December 2008

	Continuing Operations					
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*	*Discontinued Operations £000*
Profit before exceptional costs, tax and finance costs	**10,202**	**8,028**	**7,650**	**1,972**	**27,852**	**(1,465)**
Associate income	260	-	-	-	260	-
Exceptional cost allocable to business segments	(748)	(587)	(1,824)	-	(3,159)	(719)
Profit before tax and finance costs	9,714	7,441	5,826	1,972	24,953	(2,184)
Exceptional costs not allocable to business segments					(1,367)	-
Net finance cost					(8,144)	-
Foreign exchange gain					316	-
Profit before taxation					15,758	(2,184)
Taxation					(4,774)	461
Net profit for the year					**10,984**	**(1,723)**

Year ended 31 December 2007

	Continuing Operations					
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*	*Discontinued Operations £000*
Profit before exceptional costs, tax and finance costs	**11,114**	**5,229**	**10,101**	**1,368**	**27,812**	**(2,048)**
Associate income	244	-	-	-	244	-
Profit before tax and finance costs	11,358	5,229	10,101	1,368	28,056	(2,048)
Exceptional costs not allocable to business segments					(955)	-
Net finance cost					(7,414)	-
Foreign exchange gain					97	-
Profit before taxation					19,784	(2,048)
Taxation					(3,500)	614
Net profit for the year					**16,284**	**(1,434)**

Notes to the Group Financial Statements

For the year ended 31 December 2008

3. Revenue and segmental analysis (continued)

(a) Business segments (continued)

Assets and liabilities

Year ended 31 December 2008

	Continuing Operations				
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*
Segment assets	139,177	145,961	19,601	8,770	313,509
Investment in associates	151	-	-	-	151
	139,328	145,961	19,601	8,770	313,660
Unallocated assets					26,063
Total assets					339,723
Segment liabilities	(10,363)	(6,472)	(13,658)	(2,471)	(32,964)
Unallocated liabilities					(178,151)
Total liabilities					(211,115)

Year ended 31 December 2007

	Continuing Operations				
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*
Segment assets	142,051	65,701	16,571	4,181	228,504
Investment in associates	198	-	-	-	198
	142,249	65,701	16,571	4,181	228,702
Unallocated assets					28,499
Total assets					257,201
Segment liabilities	(12,203)	(2,591)	(9,760)	(2,367)	(26,921)
Unallocated liabilities					(158,912)
Total liabilities					(185,833)

Unallocated assets represent the deferred tax assets, financial assets and cash and cash equivalents. Unallocated liabilities represent financial, pension and tax liabilities.

Notes to the Group Financial Statements

For the year ended 31 December 2008

3. Revenue and segmental analysis (continued)

(a) Business segments (continued)

Other segmental information

Year ended 31 December 2008

	Continuing Operations					
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*	*Discontinued Operations £000*
Capital expenditure – Property, plant and equipment	590	1,001	751	196	2,538	16
Depreciation	482	478	619	180	1,759	120
Intangible assets	-	50,132	-	3,780	53,912	-

Year ended 31 December 2007

	Continuing Operations					
	Radio GB £000	*Radio Ireland £000*	*Television £000*	*New Media £000*	*Total £000*	*Discontinued Operations £000*
Capital expenditure – Property, plant and equipment	390	239	339	100	1,068	67
Depreciation	578	383	667	79	1,707	122
Intangible assets	-	-	-	750	750	-

Notes to the Group Financial Statements

For the year ended 31 December 2008

3. Revenue and segmental analysis (continued)

(b) Geographical segments
Turnover is generated from GB and Ireland. The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 December 2008 and 2007. Revenues relating to advertising are analysed based on the geographical location of the sales agencies through which the advertising revenues are registered. It is not possible to accurately analyse advertising revenue based on customer location. The asset analysis is based on the physical location of the assets.

Year ended 31 December 2008

	Continuing Operations			
	Ireland £000	*GB £000*	*Total £000*	*Discontinued £000*
Revenue from continuing operations				
Sales to third parties	56,278	64,005	120,283	1,317
Other segment information				
Assets	174,332	139,328	313,660	-
Unallocated assets			26,063	-
Total assets			339,723	-
Capital expenditure				
Property, plant and equipment	1,948	590	2,538	16
Intangible assets	53,912	-	53,912	-

Notes to the Group Financial Statements

For the year ended 31 December 2008

3. Revenue and segmental analysis (continued)

(b) Geographical segments (continued)

Year ended 31 December 2007

	Continuing Operations			
	Ireland £000	*GB £000*	*Total £000*	*Discontinued £000*
Revenue from continuing operations				
Sales to third parties	48,774	65,050	113,824	1,749
Other segment information				
Assets	86,453	142,249	228,702	-
Unallocated assets			28,499	-
Total assets			257,201	-
Capital expenditure				
Property, plant and equipment	678	390	1,068	67
Intangible assets	750	-	750	-

Notes to the Group Financial Statements

For the year ended 31 December 2008

4. Exceptional items

	Continuing Operations		*Discontinued Operations*		*Total*	
	2008 £000	*2007 £000*	*2008 £000*	*2007 £000*	*2008 £000*	*2007 £000*
Fundamental restructuring costs	(2,859)	(1,196)	(719)	-	(3,578)	(1,196)
(Loss)/profit on disposal of investments	(300)	643	-	-	(300)	643
Costs associated with aborted transaction	-	(402)	-	-	-	(402)
	(3,159)	(955)	(719)	-	(3,878)	(955)

Fundamental restructuring costs
In 2008, the Group undertook a review and fundamental restructuring of its operations. This resulted in the disposal or closure of loss making radio stations; the consolidation of operations in both GB and Ireland; and the rationalisation of the television operations in line with the reduction in local programming hours introduced by Ofcom.

In 2007 the Group completed a corporate reorganisation, by way of a Court-approved scheme of arrangement under Article 419 of the Companies (Northern Ireland) Order 1986. Under this scheme a new listed holding company for the Group was created. The total associated costs were £1,196,000.

Loss/profit on investments
In 2008 Channel 4 cancelled its plans to invest further in a new digital radio platform and thus the 4Digital consortium which it led. Following this decision, UTV has written off its 10% investment in the 4Digital.

In 2007 the Group disposed of its 8% shareholding in Somethin' Else Sound Productions Limited and the 1.686% shareholding in Independent Television Facilities Centre Limited, resulting in a total profit of £643,000.

Costs associated with aborted transaction
In 2007, costs totalling £402,000 were incurred in determining the feasibility of and the potential to finance a possible transaction which did not proceed.

The exceptional finance costs of £1,367,000 (2007: £Nil) is explained within note 9 and the exceptional tax charge of £328,000 (2007: credit of £1,376,000) is explained within note 10.

Notes to the Group Financial Statements

For the year ended 31 December 2008

5. Group operating costs

	Continuing Operations		*Discontinued Operations*		*Total*	
	2008 £000	*2007 £000*	*2008 £000*	*2007 £000*	*2008 £000*	*2007 £000*
Purchase of programmes	12,349	12,311	5	8	12,354	12,319
Sales related costs	15,384	15,896	253	423	15,637	16,319
Other programme and operating costs	28,982	25,948	1,458	2,057	30,440	28,005
Staff costs (note 7)	30,952	27,196	868	1,173	31,820	28,369
Depreciation of property, plant and equipment	1,759	1,707	120	122	1,879	1,829
Licence payments	1,126	1,275	15	14	1,141	1,289
Operating lease rentals						
- equipment & motor vehicles	819	929	63	-	882	929
- land and buildings	1,362	1,057	-	-	1,362	1,057
Rental income	(297)	(277)	-	-	(297)	(277)
Profit on disposal of property, plant and equipment	(5)	(30)	-	-	(5)	(30)
	92,431	86,012	2,782	3,797	95,213	89,809

6. Auditor's remuneration

The Group has recognised the following in respect of amounts paid or payable to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2008 £000	*2007 £000*
Audit of financial statements	51	51
Other fees		
Local statutory audits of subsidiaries	177	163
Other services pursuant to legalisation	17	15
Audit of the group pension schemes	4	4
Other services relating to taxation	108	78
Corporate finance fees	450	223
All other services	7	3
	763	486

The Audit Committee approves all work undertaken by professional advisers, and resolved that the skills and experience of Ernst & Young LLP made it a suitable choice for the provision of these non-audit services and were satisfied that appropriate safeguards are in place to ensure that there is no threat to objectivity and independence in the conduct of the audit.

Notes to the Group Financial Statements

For the year ended 31 December 2008

7. Staff costs

	Continuing Operations		Discontinued Operations		Total	
	2008 £000	*2007 £000*	*2008 £000*	*2007 £000*	*2008 £000*	*2007 £000*
Wages and salaries	27,576	24,227	790	1,062	28,366	25,289
Social security costs	2,676	2,144	78	111	2,754	2,255
Other pension costs	700	825	-	-	700	825
	30,952	27,196	868	1,173	31,820	28,369

Included within social security costs is a credit relating to share options of £34,000 (2007: credit of £127,000).

Included within wages and salaries is a credit relating to the share-based payments of £417,000 (2007: charge of £417,000).

The average monthly number of employees during the year was made up as follows:

	2008 No.	*2007 No.*
Radio GB	415	442
Radio Ireland	299	222
Television	218	221
New Media	72	44
	1,004	929

Details of Directors' emoluments in aggregate and for each Director (including bonuses, pension entitlements, long term incentives and interest in share options) are included within the audited section of the 'Report of the Board on Directors' Remuneration'.

8. Finance revenue

	2008 £000	*2007 £000*
Bank interest received and receivable	382	547

Notes to the Group Financial Statements

For the year ended 31 December 2008

9. Finance costs

	2008 £000	2007 £000
Bank loans and overdrafts	9,531	8,774
Gain on interest rate swap	(1,005)	(813)
Total finance costs	8,526	7,961

Exceptional finance charges of £1,367,000 in 2008 (2007: £Nil) relate to deferred financing costs in respect of the original debt facilities as part of the refinancing of the group debt facilities in July 2008.

10. Taxation

(a) Tax on profit on ordinary activities

	2008 £000	2007 £000
Current income tax:		
UK corporation tax on profits for the year	(1,090)	(149)
Adjustments in respect of previous years	800	339
	(290)	190
Foreign tax:		
ROI corporation tax on profits for the year	(764)	(644)
Total current tax	(1,054)	(454)
Deferred tax:		
Origination and reversal of timing differences	(2,931)	(3,518)
Adjustments in respect of previous years	-	(290)
Tax charge in the income statement on operating activities	(3,985)	(4,262)
Tax credit arising on exceptional costs	991	-
Exceptional deferred tax (charge)/credit	(1,319)	1,376
Total tax (charge)/credit	(4,313)	(2,886)
The tax charge in the Income Statement is disclosed as:		
Tax expense on continuing operations	(4,774)	(3,500)
Tax credit on discontinued operations	461	614
Tax charge in the statement of recognised income and expense	(4,313)	(2,886)
Tax relating to items charged or credited to equity		
Deferred tax:		
Actuarial gain on pension schemes	2,193	(454)
Revaluation of cash flow hedges	732	235
Valuation of long term incentive plan	(195)	195
Tax credit/(charge) in the statement of recognised income and expense	2,730	(24)

Notes to the Group Financial Statements

For the year ended 31 December 2008

10. Taxation (continued)

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are reconciled below:

	2008 £000	2007 £000
Profit from continuing operations before tax	15,758	19,784
Loss from discontinued operations before tax	(2,447)	(2,048)
Gain on disposal of discontinued operations	264	-
Profit on ordinary activities	13,575	17,736
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(3,869)	(5,321)
Effects of:		
Expenses not allowed for tax purposes	(424)	(90)
Non-qualifying depreciation/amortisation	-	(52)
Lower taxes on overseas earnings	948	801
Tax overprovided in previous years	800	400
Exceptional costs not allowed for tax purposes	(449)	-
Exceptional deferred tax (charge)/credit	(1,319)	1,376
Tax (charge) for the period	(4,313)	(2,886)

(c) Exceptional credit

During the year, the capital gains tax rate in the Republic of Ireland was revised from 20% to 22%. Accordingly the all deferred tax liabilities in respect of radio licences in the Republic of Ireland were restated to recognise the future gains thereon at this rate. This resulted in a net charge of £1,117,000. In addition, the deferred tax has been adjusted to reflect the phasing out of industrial building allowances in the UK. This has resulted in an exceptional charge of £202,000 as a result of temporary differences in respect of ACA's.

In 2007, the 2007 Finance Act asserted that the UK Corporation tax rate from 2008 would be 28%. Accordingly all deferred tax assets and liabilities were restated to recognise the future gains and charges to be recognised thereon at this rate. This resulted in a net credit of £1,376,000 in the year.

(d) Unrecognised tax losses

The Group has tax losses which arose in the UK of £21,965,000 (2007: £21,790,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses.

(e) Temporary differences associated with group investments

At 31 December 2008, there was no recognised deferred tax liability (2007: £Nil) for taxes that would be payable on the unremitted earnings of certain Group subsidiaries and joint ventures as the Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries, associates and joint ventures, for which deferred tax liability has not been recognised aggregate to £2,659,000 (2007: £2,149,000).

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

Notes to the Group Financial Statements

For the year ended 31 December 2008

10. Taxation (continued)

(f) Deferred tax

The deferred tax included in the balance sheet is as follows:

Deferred tax liability

	2008 £000	2007 £000
Valuation of intangible assets on acquisition	48,443	37,838
Valuation of interest rate swap	-	228
Accelerated capital allowances	594	354
Deferred tax liability	49,037	38,420

	2008 £000	2007 £000
Balance at 1 January	38,420	41,081
Credited to the income statement	38	27
Recognised on the acquisition of a subsidiary	7,447	-
Foreign exchange movement	2,041	154
Credited to the statement of recognised income and expenditure	(228)	(235)
Gain due to future UK corporation tax rate	-	(2,607)
Charge due to change in ROI capital gains tax rate	1,117	-
Change due to phasing out of IBAs	202	-
Deferred tax liability	49,037	38,420

Deferred tax asset

	2008 £000	2007 £000
Pension liability	2,406	521
Valuation of interest rate swap	503	-
Accelerated capital allowances	718	842
Other temporary differences	1,071	1,257
Long term incentive plan	-	195
Tax losses carried forward	12,085	14,245
Deferred tax asset	16,783	17,060

	2008 £000	2007 £000
Balance at 1 January	17,060	22,178
Charged to the income statement	(2,779)	(3,628)
Credited/(Charged) to the statement of recognised income and expenditure	2,502	(259)
Loss due to future UK corporation tax rate	-	(1,231)
Deferred tax asset	16,783	17,060

Notes to the Group Financial Statements

For the year ended 31 December 2008

10. Taxation (continued)

***(f) Deferred tax** (continued)*

The deferred tax included in the group income statement is as follows:

	2008 £000	2007 £000
Deferred tax in the income statement		
Accelerated capital allowances	(163)	(202)
Tax losses carried forward	(2,485)	(3,504)
Other temporary differences	(283)	(102)
Deferred income tax expense on operational activities	(2,931)	(3,808)
Deferred tax on exceptional costs	163	-
Exceptional deferred tax (charge)/credit	(1,319)	1,376
Total deferred tax (charge)/credit	(4,087)	(2,432)

11. Discontinued operations

Wave 102 was sold on the 12 May 2008 and Imagine FM on the 31 December 2008, with combined cash proceeds totalling £140,000. In addition talk107 was closed on the 23 December 2008. The results of discontinued operations for the period until closure or disposal are included as discontinued operations in the Group Income Statement as follows:

	Results before Exceptional items 2008 £000	*Exceptional items 2008 £000*	*Total 2008 £000*	*2007 £000*
Revenue	1,317	-	1,317	1,749
Operating costs	(2,781)	-	(2,781)	(3,797)
Operating loss	(1,464)	-	(1,464)	(2,048)
Non operational exceptional costs	-	(983)	(983)	-
Loss before tax from discontinued operations	(1,464)	(983)	(2,447)	(2,048)
Current tax credit	410	50	460	614
Loss after tax from discontinued operations	(1,054)	(933)	(1,987)	(1,434)
Profit on disposal of discontinued operations	-	264	264	-
Loss from discontinued operations	(1,054)	(669)	(1,723)	(1,434)

11. Discontinued operations (continued)

The cash flows of the discontinued operations which have been included in the Group cash Flow statement are as follows:

	2008 £000	2007 £000
Net cash outflow from operating cash flows	(1,475)	(2,019)
Net cash flows used in investing activities	140	-

12. Earnings per share

Basic earnings per share is calculated based on the profit for the financial year attributable to equity holders of the parent and on the weighted average number of shares in issue during the period.

Adjusted earnings per share are calculated based on the profit for the financial year attributable to equity holders of the parent adjusted for the exceptional items. This calculation uses the weighted average number of shares in issue during the period.

Diluted earnings per share are calculated based on profit for the financial year attributable to equity holders of the parent. The weighted average number of shares is adjusted to reflect the dilutive potential of the Share Option Schemes.

Diluted adjusted earnings per share are calculated based on profit for the financial year attributable to equity holders of the parent before exceptional items. The weighted average number of shares is adjusted to reflect the dilutive potential of the Share Option Schemes.

The weighted average number of ordinary shares for the year ended 31 December 2007 and the weighted average number of ordinary shares from 1 January 2008 to the date of the rights issue have been restated to reflect the bonus element of the 2 for 3 rights issue of ordinary shares in July 2008.

The following reflects the income and share data used in the basic, adjusted, diluted and diluted adjusted earnings per share calculations:

Net profit attributable to equity holders

	2008			*(Restated) 2007*		
	Continuing Operations £000	*Discontinued Operations £000*	*Total £000*	*Continuing Operations £000*	*Discontinued Operations £000*	*Total £000*
Net profit attributable to equity holders	10,703	(1,723)	8,980	16,132	(1,434)	14,698
Exceptional items	4,526	719	5,245	955	-	955
Taxation relating to above items	(941)	(50)	(991)	225	-	225
Exceptional tax charge/credit	1,319	-	1,319	(1,376)	-	(1,376)
Total adjusted and diluted profit attributable to equity holders	15,607	(1,054)	14,553	15,936	(1,434)	14,502

Notes to the Group Financial Statements

For the year ended 31 December 2008

12. Earnings per share (continued)

Weighted average number of shares

	2008 thousands	*2007 thousands*
Weighted average number of shares for basic and adjusted earnings per share (excluding treasury shares)	77,274	59,334
Effect of dilution of the share options	-	728
Adjusted weighted average number of ordinary shares for diluted earnings per share	77,274	60,062

Earnings per share

From continuing and discontinued operations

	2008	*2007*
Diluted	11.62p	24.47p
Basic	11.62p	24.77p
Adjusted	18.84p	24.44p
Diluted adjusted	18.84p	24.14p

From continuing operations

	2008	2007
Diluted	13.85p	26.86p
Basic	13.85p	27.19p
Adjusted	20.20p	26.86p
Diluted adjusted	20.20p	26.53p

From discontinuing operations

	2008	2007
Diluted	(2.23)p	(2.39)p
Basic	(2.23)p	(2.42)p

Notes to the Group Financial Statements

For the year ended 31 December 2008

13. Dividends

	2008 £000	2007 £000
Equity dividends on ordinary shares		
Declared and paid during the year		
Final for 2007: 8.30p (2006: 8.00p)	4,759	4,384
Interim for 2008: 3.30p (2007: 5.20p)	3,148	2,832
Dividends paid	7,907	7,216
Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)		
Final dividend for 2008: 2.00p (2007: 8.30p)	1,908	4,759

14. Property, plant and equipment

	Freehold land and buildings £000	Leasehold improvements £000	Equipment and vehicles £000	Total £000
Cost				
At 1 January 2007	7,846	1,260	17,342	26,448
Exchange adjustment	125	53	397	575
Additions	13	134	988	1,135
Disposals	-	-	(644)	(644)
At 31 December 2007	7,984	1,447	18,083	27,514
Exchange adjustment	403	172	1,223	1,798
Acquisition of subsidiaries	-	3	324	327
Additions	4	736	1,814	2,554
Disposals	-	(464)	(980)	(1,444)
At 31 December 2008	8,391	1,894	20,464	30,749
Depreciation and impairment				
At 1 January 2007	2,574	173	12,665	15,412
Exchange adjustment	16	24	340	380
Charge for year	11	186	1,632	1,829
Disposals	-	-	(559)	(559)
At 31 December 2007	2,601	383	14,078	17,062
Exchange adjustment	54	82	1,059	1,195
Charge for the year	10	117	1,752	1,879
Disposals	-	(176)	(792)	(968)
At 31 December 2008	2,665	406	16,097	19,168
Net book value				
At 31 December 2008	5,726	1,488	4,367	11,581
At 31 December 2007	5,383	1,064	4,005	10,452
At 1 January 2007	5,272	1,087	4,677	11,036

At 31 December 2008 the Group had entered into Sterling and Euro contractual commitments for the acquisition of property, plant and equipment amounting to £252,000 (2007: £11,000).

Notes to the Group Financial Statements

For the year ended 31 December 2008

15. Intangible assets

	Licences £000	*Goodwill £000*	*Total £000*
Cost			
At 1 January 2007	150,175	48,408	198,583
Additions	-	750	750
Exchange adjustment	774	4,398	5,172
At 31 December 2007	150,949	53,556	204,505
Acquisitions of subsidiaries	37,235	16,678	53,913
Exchange adjustment	10,201	16,800	27,001
At 31 December 2008	198,385	87,034	285,419
Impairment			
At 1 January 2007	(13,400)	(1,477)	(14,877)
Charge in the year	-	-	-
At 31 December 2007	(13,400)	(1,477)	(14,877)
Charge in the year	-	-	-
At 31 December 2008	(13,400)	(1,477)	(14,877)
Net book value			
At 31 December 2008	184,985	85,557	270,542
At 31 December 2007	137,549	52,079	189,628
At 1 January 2007	136,775	46,931	183,706

The licences are radio licences which are granted for minimum periods of 10 years with the option of a renewal based on the company meeting the regulatory requirements of the licence. Similar licences have been successfully renewed at insignificant cost in the past, and consequently the Group has concluded that these assets have indefinite useful life but will be subject to an annual impairment testing.

The value of the intangibles is measured using discounted cash flow projections and the valuation model at 31 December 2008 indicated no impairment on these assets.

Additions in the year represent the value of goodwill arising on the acquisition of Tibus plus value of the licence and goodwill arising on the acquisition of FM104, as outlined in note 18.

Notes to the Group Financial Statements

For the year ended 31 December 2008

16. Impairment of goodwill and intangible assets with indefinite lives

Goodwill acquired with business combinations and intangibles with indefinite lives have been allocated at acquisition to the cash generating units that are expected to benefit from that business combination. The cash generating units, which are also reporting segments, under which these assets are considered are:

- Radio GB
- Radio Ireland
- New Media

These represent the lowest level within the Group that these assets are monitored for internal purposes.

The recoverable amount of each cash generating unit has been determined based on a value in use calculation using five year cash flow projections. The growth rate used beyond the five years is 2.25% (2007: 2.25%) being consistent with the long term average growth rate for the industry. The discount rate applied to cash flow projections for the UK is 8.5% (2007: 10.0%) and for ROI is 8.5% (2007: 9.1%).

Carrying amount of goodwill and licences allocated to cash-generating units:

	Radio GB		*Radio Ireland*		*New Media*		*Total*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Goodwill	436	436	77,977	48,226	7,144	3,417	85,557	52,078
Licences	129,107	129,107	55,878	8,442	-	-	184,985	137,550
	129,543	129,543	133,855	56,668	7,144	3,417	270,542	189,628

The licence for talkSPORT is included in Radio GB at a value of £48,024,000 and £44,942,000 (€47,000,000) for FM104.

Key assumptions used in value in use calculations
The calculation of value in use is most sensitive to the following assumptions:

- Discount rates
- Revenue growth

Discount rates

Discount rates reflect management's estimate of the Working Average Cost of Capital (WACC) required to assess operating performance in each business unit and to evaluate future capital investment proposals. The rate used in the calculations of the value in use for ROI and UK was 8.5% pre tax. This discount rate reflects the latest market projections for the risk-free rate, equity risk premium and small company premium and cost of debt appropriate to the industry.

Revenue forecast

Revenue forecasts are based on published industry information. Current projections reflect the current economic uncertainty and the resultant downturn in advertising revenue in both the UK and the Republic of Ireland.

The critical assumptions for radio relate to advertising revenue. In Radio GB industry forecasts are predicting that the market will be down by 10% to15% in 2009. In Ireland there are no market forecasts available but the assumption is that this market, like the UK, will see a greater than 10% decline. However, given the strength of the UTV radio offering and the consistent outperformance of the market, management have forecast a less significant decline in both Radio GB and Radio Ireland for this year. From 2010 the market is expected to improve and as a result from 2010 to 2013 revenue growth for each of these radio markets is forecast to be between 2.5% per annum and 10% per annum.

Notes to the Group Financial Statements

For the year ended 31 December 2008

16. Impairment of goodwill and intangible assets with indefinite lives (continued)

Revenue within the New Media division is derived from a range of internet, telephony and web-design products. The range and capacity of these offerings was further strengthened with the acquisition of Tibus during the year which is forecast to contribute to the growth of this cash generating unit. It is expected that the New Media division will retain its market share in 2009 and performance will be comparable to 2008. From 2010 through to 2013 it is forecasted to deliver revenue growth of between 2% per annum and 8% per annum based on the existing product portfolio of internet, telephony and web design services, together with new revenue streams from investment in the strategy of New Media.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

Notes to the Group Financial Statements

For the year ended 31 December 2008

17. Investments

(a) Group

	2008 £000	2007 £000
Investment in associates accounted for using the equity method	151	198
Other investments	-	300
	151	498

During the year the Group disposed of its 21.7% share holding in Dee 106.3 Radio Limited and wrote off its 10% holding in 4 Digital Group.

The investments in the Group accounts comprise of:

	Country of incorporation	*Percentage of shares held*	*Nature of business*
Associate undertakings			
Digital Radio Group (London) Limited	England	* 30.2%	Commercial radio

* held by a subsidiary undertaking

The following illustrates the summarised financial information of the Group's associate undertakings:

	2008 £000	2007 £000
Share of associates' balance sheet		
Non-current assets	18	47
Current assets	340	383
Share of gross assets	358	430
Current liabilities	207	226
Non-current liabilities	-	6
Share of gross liabilities	207	232
Share of net assets	151	198

	2008 £000	2007 £000
Revenue	547	568
Profit after tax	184	180

Notes to the Group Financial Statements

For the year ended 31 December 2008

17. Investments (continued)

(b) Group undertakings

In the opinion of the Directors, the following subsidiaries of the Company principally affected the results or financial position of the Group at 31 December 2008 or are the holders of radio licences or principal contracts within the Group:

	Country of incorporation	*Percentage of shares held*	*Nature of business*
UTV Limited	Northern Ireland	100%	Commercial Television
UTV Internet Limited	Northern Ireland	100%	Internet service provider
The Internet Business Limited	Northern Ireland	* 100%	Web development
UTV Radio (ROI) Limited	Republic of Ireland	100%	Holding company
County Media Limited	Republic of Ireland	* 100%	Holding company
Radio County Sound Limited	Republic of Ireland	* 100%	Commercial Radio
Shawnee Limited	Republic of Ireland	* 100%	Sales agency
Cork Media Enterprises Limited	Republic of Ireland	* 100%	Commercial Radio
Treaty Radio Limited	Republic of Ireland	* 100%	Commercial Radio
City Broadcasting Limited	Republic of Ireland	* 100%	Commercial Radio
Independent Broadcasting Corporation Limited	Republic of Ireland	* 100%	Commercial Radio
Capital Radio Productions Limited	Republic of Ireland	* 100%	Commercial Radio
UTV Radio (GB) Limited	England	* 100%	Holding company
talkSPORT Limited	England	* 100%	Commercial Radio
Pulse FM Limited	England	* 100%	Non-trading
Signal Radio Limited	England	* 100%	Non-trading
Swansea Sound Limited	England	* 100%	Non-trading
Valley Radio Limited	England	* 100%	Non-trading
Radiowave (Blackpool) Limited	England	* 100%	Non-trading
Allied Radio Limited	Scotland	* 100%	Holding company
102.4 Wish Limited	England	* 100%	Non-trading
Wire FM (1997) Limited	England	* 79.1%	Commercial Radio
Switchdigital (Scotland) Limited	Scotland	* 92%	Commercial Radio
Switchdigital (London) Limited	England	* 80.5%	Commercial Radio
UTV-EMAP Digital (B&H) Limited	England	* 80%	Commercial Radio
UTV-EMAP Digital Limited	England	* 70%	Commercial Radio
Grand Central Broadcasting Limited	England	* 100%	Non-trading
Tower 107.4 FM Limited	England	* 100%	Non-trading
Wolverhampton Area Radio Limited	England	* 100%	Non-trading
Perfecttaste Limited	England	* 100%	Non-trading

* held by a subsidiary undertaking

The directors have taken advantage of the exemptions conferred by Article 239(5) of the Companies (Northern Ireland) Order 1986.

Joint ventures

First Radio Sales Limited	England	50%	Sales agency

Notes to the Group Financial Statements

For the year ended 31 December 2008

17. Investments (continued)

(c) Joint ventures

As at 31 December 2008 there was one joint venture company, First Radio Sales Limited, (2007: First Radio Sales Limited and Digital Space Limited (2 months)). The revenue, expenditure, asset and liability information relating to the joint venture proportionately consolidated in the Group accounts is disclosed below.

Attributable to joint ventures:	*2008 £000*	*2007 £000*
Revenue	1,035	1,148
Operating costs	(702)	(839)
Finance income	12	19
Profit before tax	345	328
Taxation	-	-
Profit for the year	345	328
Current assets	1,475	2,036
Current liabilities	1,364	1,866
Non-current liabilities	-	-

Notes to the Group Financial Statements

For the year ended 31 December 2008

18. Business combinations

(a) Tibus

On 12 February 2008 the Group acquired the entire issued share capital of Holbeck Enterprises Limited, a dormant holding company which owns 100% of the issued share capital of The Internet Business Limited (trading as 'Tibus'). The total cash consideration paid to date amounts to £4,000,000 for the business acquired and £50,000 for costs. The share purchase agreement allows for a contingent consideration to be made for this acquisition up to £1,000,000. However based on the criteria that must be achieved, the Group does not consider it probable that any further amount will be paid and thus no accrual is carried for this at the year end.

Analysis of the acquisition of Tibus

	Book values £000	*Fair value to Group £000*
Property, plant and equipment	201	201
Goodwill	-	3,780
Debtors	396	311
Cash	157	157
Creditors	(372)	(399)
Net assets	382	4,050
Discharged by:		
Cash		4,050

From the date of acquisition to 31 December 2008, Tibus has contributed £352,000 to the profit before tax of the Group. If the combination had taken place at the beginning of the year, Tibus would have contributed profit before tax in the period of £370,000 to the Group and revenue of £2,183,000.

Included in the £3,780,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These primarily relate to the expected value of synergies arising from the integration of Tibus with the Group's existing new media business and the wider strategic benefits of the acquisition to the Group.

Notes to the Group Financial Statements

For the year ended 31 December 2008

18. Business combinations (continued)

(b) FM104

On 10 April 2008 the Group acquired the entire issued share capital of Capital Radio Productions plc and Babstova plc (trading as FM104) for a consideration in cash of £41,735,000 (including a deposit paid in the prior year) and costs of £1,844,000.

Analysis of the acquisition of FM104

	Book values £000	*Fair value to Group £000*
Investments	25	25
Property, plant and equipment	126	126
Goodwill	-	12,899
Intangible assets	-	37,234
Debtors	1,794	1,794
Bank	140	140
Creditors	(1,192)	(1,192)
Deferred taxation liability	-	(7,447)
Net assets	893	43,579
Discharged by:		
Cash		43,579

From the date of acquisition to 31 December 2008, FM104 has contributed £1,624,000 to the profit before tax and exceptionals of the Group. If the combination had taken place at the beginning of the year, FM104 would have contributed profit before tax in the period of £2,472,000 to the Group and revenue of £7,537,000.

Included in the £12,899,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These primarily relate to the expected value of synergies arising from the integration of FM104 with the Group's existing radio business in Ireland enabling the Group to offer an enhanced urban access package to advertisers.

19. Derivatives

	2008 £000	*2007 £000*
Interest rate swaps	(1,958)	902

20. Inventories

	2008 £000	2007 £000
Own productions	471	476
Sundry stocks	20	17
	491	493

Notes to the Group Financial Statements

For the year ended 31 December 2008

21. Trade and other receivables

	2008 £000	2007 £000
Trade receivables	20,022	18,782
Other receivables	1,824	768
Prepayments and accrued income	9,049	8,381
	30,895	27,931

Trade receivables are non-interest bearing and are generally on 30 day terms and are shown net of a provision for impairment.

The amount of the provision netted against the gross trade receivables balance was £2,243,000 at 31 December 2008 (2007: £1,507,000).

The ageing of net trade receivables are as follows:

		Neither past due nor impaired	|---Past due but not impaired---|		
	Total £000	£000	31-60 days £000	61-90 days £000	>91 days £000
2008	20,022	10,037	7,277	1,900	808
2007	18,782	9,567	6,594	2,072	549

Movements on the provision against trade receivables are as follows:

	2008 £000	2007 £000
Opening balance	1,507	1,564
Foreign exchange	70	25
Charge for the year	757	384
Utilised	(91)	(369)
Unused amounts reversed	-	(97)
Closing balance	2,243	1,507

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available.

Notes to the Group Financial Statements

For the year ended 31 December 2008

22. Cash and short term deposits

	2008 £000	2007 £000
Cash at bank and in hand	4,392	4,938
Short term deposits	4,888	5,299
	9,280	10,237

Cash at bank and in hand earns interest rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The fair value of cash and short term deposits is £9,280,000 (2007: £10,237,000) for the Group. Cash and cash equivalents for the purposes of the cash flow statement include bank overdrafts of £Nil (2007: £Nil).

23. Trade and other payables

	2008 £000	2007 £000
Trade payables	7,690	6,750
Other payables	1,506	1,836
Other taxation and social security	1,206	2,004
Accruals and deferred income	21,210	14,513
	31,612	25,103

Notes to the Group Financial Statements

For the year ended 31 December 2008

24.Financial liabilities

	2008 £000	2007 £000
Current		
Current instalments due on bank loans	8,650	10,391
Non-current		
Non-current instalments due on bank loans	108,267	107,032
Total	116,917	117,423

There are three bank overdraft facilities in the Group with £2.5 million limit in the UK and €0.65 million in the ROI. These are secured by a floating charge over the Company's assets. The borrowings at 31 December 2008 are stated net of £786,000 (2007: £777,000) of deferred financing costs. The effective interest rate of the bank loans including the impact of interest rate swap agreements is 6.36% (2007: 6.09%).

Bank loans comprise the following:

	2008 £000	2007 £000
Senior facilities £90.5m 4 year amortising term loan "A"	-	77,050
Senior facilities £30m 4 year revolving credit loan "B"	-	14,000
Senior facilities €35m 4 year amortising term loan "C"	-	21,407
Senior facilities €5m 4 year revolving credit loan "D"	-	2,768
£1.5m Bi-lateral 5 year term loan – Repaid 30/03/08	-	475
£2.5m Bi-lateral 5 year term loan - Repaid 25/07/08	-	2,500
Senior facilities £55m 5 year amortising term loan "A"	52,500	-
Senior facilities £40m 5 year revolving credit loan "B"	20,500	-
Senior facilities €40m 5 year amortising term loan "C"	36,336	-
Senior facilities €10m 5 year revolving credit loan "D"	8,367	-
	117,703	118,200
Less current instalment on bank loans	(8,825)	(10,728)
	108,878	107,472

The Group refinanced its Senior and Subordinated debt facilities by way of a £49.87m rights issue and the Amended and Restated Facilities Agreement was signed and dated on 3 June 2008. The existing Facilities were extinguished by the proceeds of the rights issue and by offset against the new facilities on 25 July 2008.

The £55m 5 year amortising term loan facility "A" (current balance of £52.5m) is repayable (commencing 31 December 2008) by ten instalments of £2.5m in June and December each year to 31 December 2012. A final payment or refinancing of £30.0m will be made on 25 July 2013.

The £40m revolving credit loan facility "B" is available to the Group for the period to 25 July 2013 when any amounts drawn will be repaid or refinanced. A commitment fee of 45% of the applicable margin will be payable quarterly on any undrawn portion of facility "B".

The €40m 5 year amortising term loan facility "C" (current balance of €38m) is repayable by ten instalments of €2m (commencing 31 December 2008) in June and December each year to 31 December 2012. A final payment or refinancing of €20m will be made on 25 July 2013.

Notes to the Group Financial Statements

For the year ended 31 December 2008

24. Financial liabilities (continued)

The €10m revolving credit loan facility “D” is available to the Group for the period to 25 July 2013 when any amounts drawn will be repaid or refinanced. A commitment fee of 45% per annum of the applicable margin will be payable quarterly on any undrawn portion of facility “D”.

In 2005 an interest rate swap was purchased fixing the interest costs of circa 50% of the original £140m senior facilities at 4.56% plus the applicable margin to match the repayment profile of the original facilities. Following the review of the facilities in November 2006 and the refinancing in July 2008 this swap was retained and now represents 57% of the committed sterling senior facilities. The remainder of the loans has an interest rate charge of 3 month LIBOR plus the applicable margin.

In 2006 an interest rate swap fixing the interest costs of 65% of the original euro €35m senior facility “C” at 3.83% plus the applicable margin was purchased to match the repayment profile of the euro facility “C”. Following the refinancing in July 2008 this swap was retained and now represents 34% of fixed interest costs on the committed euro senior facilities. The remainder of the loans has an interest rate charge of 3 month EURIBOR plus the applicable margin.

The £1.5m bi-lateral term loan of which £475,000 was outstanding as at 31 December 2007 was fully repaid on 30 March 2008.

The Bi-lateral £2.5m term loan with Bank of Ireland outstanding as at 31 December 2007 was repaid in July 2008 as part of the debt refinancing and rights issue.

The applicable margins contracted on the financial liabilities in the period ranges from 0.75% to 1.85% depending on the Net Debt to EBITDA ratio. The applicable margins paid in the period are detailed below:

Applicable margin Senior facilities	*Applicable margin Subordinated facilities*	*From*	*To*
1.25%	N/A	1 January 2008	30 March 2008
1.10%	1.75%	31 March 2008	9 April 2008
1.35%	1.75%	10 April 2008	24 July 2008
1.65%	N/A	25 July 2008	31 December 2008

Notes to the Group Financial Statements

For the year ended 31 December 2008

25. Obligations under leases and hire purchase contracts

Obligations under operating leases

The Group has entered into commercial leases for certain properties, motor vehicles and equipment. These leases have an average duration of between 1 and 22 years generally with an option for renewal at the end of lease term. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under operating leases are as follows:

	2008 *£000*	*2007* *£000*
Not later than one year	1,828	1,525
After one year but not more than five years	4,685	2,853
After five years	5,375	3,284
	11,888	7,662

26. Provisions

	Onerous leases *£000*	*Dilapidation* *£000*	*Total* *£000*
At 1 January 2008			
- Current	25	394	419
- Non-current	241	669	910
	266	1,063	1,329
Utilised	(36)	-	(36)
Arising during the year	-	149	149
At 31 December 2008	230	1,212	1,442
Analysed as:			
- Current	30	312	342
- Non-current	200	900	1,100
	230	1,212	1,442

The provisions relate to estimated dilapidation costs and committed rental costs on currently unoccupied properties and are stated net of sublease income. The timing of these liabilities depends on each individual lease and the likelihood of subletting. The leases are between 3 and 24 years in duration and have zero to 14 years outstanding.

Notes to the Group Financial Statements

For the year ended 31 December 2008

27. Share based payments

(a) Share Options

During 1999 the Company put in place a share option scheme to incentivise employees. Options on 1,128,157 ordinary shares were awarded during 1999 at an exercise price of £1.97 (market price at the date of grant) and options on 95,470 ordinary shares were awarded during 2001 at an exercise price of £2.73 (market price at date of grant).

Option holders may only exercise the options granted to them if they hold a certain level of shareholding in the Company throughout the option period and subject to performance criteria based on increasing profits and cash flows in the option period over that achieved in the year ended 31 December 1998. These performance criteria have been satisfied and all of the options are now exercisable in the period from 1 April 2003 to 28 April 2009. These options are only exercisable in return for shares in the Company.

No further option grants are capable of being made under these schemes and no further options were exercised or lapsed during the year.

The outstanding options and the related exercise prices have now been restated to reflect the impact of the 2 for 3 rights issue of ordinary shares in July 2008.

Share options outstanding at the end of the year have the following exercise prices:

Expiry date	*Exercise price*	*2008 No.*	*(Restated) 2007 No.*
28 April 2009	£1.81	772,517	772,517
28 April 2009	£2.51	103,660	103,660
		876,177	876,177

(b) Long term incentive plan

The Company currently has a long term incentive plan for certain UTV senior executives. During 2006, 2007 and 2008 executives were granted awards of up to 100% of basic salary which are payable in shares at the end of three years to the extent that performance criteria are met. The performance criteria are based on the growth in diluted, adjusted earnings per share (EPS) in excess of the Retail Price Index (RPI) over the applicable three year period from the commencement of the financial year in which awards were granted. The performance conditions are aimed to align directors' performance to shareholder value and were selected by the remuneration committee on the advice of the Company's remuneration consultants.

The awards and related market prices have been restated to reflect the 2 for 3 rights issue of ordinary shares in July 2008.

Granted awards under the Company's long term incentive plan that were outstanding at the end of the year had the following market prices at the date of award:

End of qualifying period	*Market price on grant date*	*2008 No.*	*(Restated) 2007 No.*
31 December 2008	321.65p	309,198	309,198
31 December 2009 (1)	391.28p	272,364	317,089
31 December 2010	234.81p	552,837	-

(1) 44,725 of these awards were forfeited during the year

Notes to the Group Financial Statements

For the year ended 31 December 2008

27. Share based payments (continued)

No awards were exercised or expired during the period. The amount of the award that vests to each senior executive increases in accordance with the level of performance achieved, with no award vesting until the Company's total EPS growth over the three years from the commencement of the financial year in which the awards were granted exceeds RPI by 12% for the 2006 awards, 9% for the 2007 and 2008 awards. If the level of EPS growth is achieved, 25% of the award will vest. Additional vesting on a straight line basis will be achieved for further growth above this up to the maximum of 100% for EPS growth in excess of RPI of 30% for the 2006 awards and 24% for the 2007 and 2008 awards.

No award will vest if the Company's EPS growth over the three year period from the commencement of the financial year in which the awards were granted is negative.

The awards may be exercisable in the six month period from the date of vesting.

The fair value of share awards is equal to the share price at the time of grant multiplied by the number of shares under award and the percentage vesting based on EPS performance spread over the period of vesting. It is assumed that all recipients of awards will fulfil their service conditions.

Based on current market forecasts, it is not expected that the performance criteria will be achieved to satisfy the vesting of these awards and thus no charge has been made under IFRS 2. As a result of this the £417,000 charged in the year ending 31 December 2007 has been reversed in 2008.

Notes to the Group Financial Statements

For the year ended 31 December 2008

28. Authorised and issued share capital

	Authorised		*Allotted, issued and fully paid*	
	2008 £000	2007 £000	2008 £000	2007 £000
Ordinary shares of 5p each (2007: 5p each)	10,000	5,000	4,795	2,877
Redeemable preference shares of £1 each (2007: £1 each)	50	50	-	-
At 31 December 2008	10,050	5,050	4,795	2,877

During the year, the authorised share capital was increased by £5,000,000 by the creation of 100,000,000 ordinary shares at 5 pence each.

Ordinary shares issued and fully paid

	Authorised		*Issued*	
	Number thousands	*Nominal value £000*	*Number thousands*	*Nominal value £000*
Shares authorised on incorporation (1)	100	100	-	-
Consolidation of shares (2)	(75)	-	-	-
Authorisation of further ordinary shares (2)	99,975	399,900	-	-
Consolidation of ordinary shares (3)	(100,000)	-	-	-
Subdivision of ordinary shares (3)	114,286	-	-	-
Shares credited as fully paid to UTV plc (4)	-	-	54,802	191,805
Reduction in the nominal value of shares (4)	(14,286)	(395,000)	-	(189,065)
Share placing (5)	-	-	2,740	137
At 31 December 2007	100,000	5,000	57,542	2,877
Authorisation of further shares	100,000	5,000	-	-
Rights issue (7)	-	-	38,361	1,918
At 31 December 2008	200,000	10,000	95,903	4,795

Redeemable preference share capital	*Issued*	
	Number thousands	*Nominal value £000*
Authorisation of 50,000 preference shares of £1 each (2)	50	50
Redemption and cancellation of preference shares (6)	-	(50)
At 31 December 2008	50	-

Notes to the Group Financial Statements

For the year ended 31 December 2008

28. Authorised and issued share capital (continued)

(1) The Company was incorporated on 7 July 2007 (and re-registered as a public limited company on 21 August 2007) and the authorised share capital of £100,000 was divided into 100,000 ordinary shares of £1.00 each. One ordinary share was issued and fully paid.

(2) On 13 August 2007 seven ordinary shares of £1.00 each were issued, each of the 100,000 ordinary shares of £1.00 each were consolidated into 25,000 shares of £4.00 each and the authorised share capital was increased to £400,050,000 by the creation of a further 99,975,000 ordinary shares of £4.00 each and 50,000 redeemable preference shares of £1.00 each which were issued and fully paid.

(3) On 11 October 2007, 99,999,998 of the ordinary shares of £4.00 each were consolidated into 1 ordinary share of £399,999,992 and this share was subdivided into 114,285,712 ordinary shares of £3.50 each.

(4) On 12 October 2007, the Company issued 54,801,517 shares of £3.50 each in consideration for the cancellation of the issued share capital of UTV plc and issuance of new shares in UTV plc to UTV Media plc pursuant to the scheme of arrangement. Pursuant to a court approved reduction of share capital, the authorised share capital of UTV Media plc was reduced from £400,050,000 (divided into 114,285,712 ordinary shares of £3.50 each, 2 ordinary shares of £4.00 each and 50,000 redeemable preference shares of £1.00 each) to £5,050,000 divided into 100,000,000 ordinary shares of 5p each and 50,000 redeemable preference shares of £1.00 each. The issued share capital was reduced from 54,801,517 shares of £3.50 each to 54,801,517 shares of 5p each.

(5) On 18 December 2007, 2,740,000 ordinary shares in UTV Media plc (the 'Placing Shares') were placed at a price of £2.00 per ordinary share, raising gross proceeds of £5,480,000 for the Group. Application was then made for the Placing Shares to be admitted to trading on the main market of the London Stock Exchange and on the Irish Stock Exchange. The Placing Shares rank pari passu in all respects with the existing ordinary shares of the Group.

(6) On 19 December 2007 the 50,000 redeemable preference shares were redeemed at par and cancelled in accordance with their terms.

(7) On 15 July 2008 the company issued 38,361,011 shares by way of a rights issue raising £47,471,000 (net of costs). The rights issue was undertaken on the basis of 2 rights issue shares for every 3 existing ordinary shares held on 17 June 2008 at the rights issue price of 130 pence per rights issue share.

Notes to the Group Financial Statements

For the year ended 31 December 2008

29.Reconciliation of movements in equity

	Equity share capital £000	Capital redemption reserve £000	Treasury shares £000	Foreign currency reserve £000	Cash flow hedge reserve £000	Retained earnings £000	Share-holder equity £000
Balance at 1 January 2007	8,220	-	(360)	(1,595)	1,579	46,479	54,323
Exercise of share options	107	-	-	-	-	-	107
Acquisition of treasury shares	-	-	(380)	-	-	-	(380)
Capital restructure	183,478	-	-	-	-	(183,478)	-
Reduction in capital	(189,065)	50	-	-	-	189,015	-
Share placing	5,346	-	-	-	-	-	5,346
Total recognised income and expense in the year	-	-	-	2,948	(677)	16,188	18,459
Share based payment	-	-	-	-	-	417	417
Dividends paid to equity shareholders	-	-	-	-	-	(7,216)	(7,216)
Balance at 31 December 2007	8,086	50	(740)	1,353	902	61,405	71,056
Acquisition of treasury shares	-	-	(518)	-	-	-	(518)
Rights issue proceeds	49,869	-	-	-	-	-	49,869
Rights issues costs	(2,398)	-	-	-	-	-	(2,398)
Total recognised income and expense in the year	-	-	-	17,293	(2,357)	3,394	18,330
Share based payment	-	-	-	-	-	(417)	(417)
Dividends paid to equity shareholders	-	-	-	-	-	(7,907)	(7,907)
Balance at 31 December 2008	55,557	50	(1,258)	18,646	(1,455)	56,475	128,015

	Shareholder equity £000	Minority interest £000	Total £000
Balance at 1 January 2007	54,323	215	54,538
Exercise of share options	107	-	107
Acquisition of treasury shares	(380)	-	(380)
Share placing	5,346	-	5,346
Total recognised income and expense in the year	18,459	152	18,611
Share based payment	417	-	417
Dividends paid to minority interests	-	(55)	(55)
Dividends paid to equity shareholders	(7,216)	-	(7,216)
Balance at 31 December 2007	71,056	312	71,368
Acquisition of treasury shares	(518)	-	(518)
Rights issue proceeds	49,869	-	49,869
Rights issue costs	(2,398)	-	(2,398)
Total recognised income and expense in the year	18,330	281	18,611
Share based payment	(417)	-	(417)
Dividends paid to equity shareholders	(7,907)	-	(7,907)
Balance at 31 December 2008	128,015	593	128,608

Notes to the Group Financial Statements

For the year ended 31 December 2008

29. Reconciliation of movements in equity (continued)

Equity share capital

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising £0.05p ordinary shares.

Foreign currency reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the unrealised gains and losses incurred on the interest rate swap designated as a hedge of the expected floating rate interest payments on the £55m and €40m term bank loans.

Capital redemption reserve

This balance was created on redemption of 50,000 redeemable preference shares on 19 December 2007.

Treasury shares

Treasury shares represent the cost of UTV Media plc shares purchased in the market and held by the UTV Employee Benefit Trust to contribute towards the anticipated entitlement of senior executives to the vesting of awards in the long term incentive plans.

At 31 December 2008 the Group held 499,999 (2007: 200,000) of its own shares at an average cost of £2.52 (2007: £3.70). The market value of these shares at 31 December 2008 was £550,000 (2007: £477,000).

30. Derivatives and other financial instruments

(a) Capital structure and financial risk management

The Group's principal financial instruments, other than derivatives, comprise of bank loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk,. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policy in relation to derivatives is set out in Note 2.

It is, and has been throughout the year under review, Group policy not to trade in financial instruments.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ending 31 December 2008 and 31 December 2007. Details on the capital structure are disclosed in the Financial Review.

30. Derivatives and other financial instruments (continued)

Cash flow interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the medium term debt obligations with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts, with between 40% and 60% of its total committed borrowing facilities at fixed rates of interest. To manage this mix in a cost efficient manner, the Board has authorised interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2008, after taking into account the effect of interest rate swaps 49.1% (2007: 54.4%) of the Group's committed borrowing facilities are at a fixed rate of interest.

Foreign currency risk

The Group has minimal transactional currency exposures arising from sales or purchases by an operating unit in currencies other than its functional currency. Approximately 5.3% (2007: 5.6%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst almost 5.2% (2007: 5.6%) of costs are denominated in currencies other than the unit's functional currency.

As a result of significant investment operations in the Republic of Ireland, the Group's income statement and balance sheet can be affected significantly by movements in the euro/sterling exchange rates. The Group seeks to mitigate the effect of the currency risk created by the euro cash flow from the ROI operations, by creating a natural hedge with the euro denominated borrowings.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to bad debts is normally not significant. However, based on the current economic environment the Group has increased the level of provision held at 31 December 2008. Other financial assets comprise of cash and cash equivalents which are therefore subject to minimal credit risk. As the Group trades only with recognised third parties there is no requirement for collateral.

Group policies also restrict the counterparties with which derivative transactions can be contracted and funds may be invested to those approved by the Group Treasury Manager and approved by the Board, comprising banks and financial institutions with a high credit rating. The Group Treasury Manager ensures that exposure is spread across a number of approved financial institutions.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts. Group policy is that funding is reviewed in line with operational cash flow requirements and investment strategy. Repayment terms and conditions are approved by the Board in advance of acceptance of any facility.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn bank facilities and cash and cash equivalents) on the basis of expected cashflows. 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.

Notes to the Group Financial Statements

For the year ended 31 December 2008

30. Derivatives and other financial instruments (continued)

(b) Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial assets and liabilities excluding trade receivables and payables, that are carried in the financial statements.

	Carrying amount		*Fair value*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Financial assets				
Cash and short term deposits	9,280	10,237	9,280	10,237
Other investments	-	300	-	300
Interest rate swap	-	902	-	902
	9,280	11,439	9,280	11,439
Financial liabilities				
Interest-bearing loans and borrowings	116,917	117,423	116,917	117,423
Interest rate swap	1,958	-	1,958	-
	118,875	117,423	118,875	117,423

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing effective interest rates. The fair value of interest rate swaps are based on prevailing market forward interest rates as at 31 December 2008.

Notes to the Group Financial Statements

For the year ended 31 December 2008

30. Derivatives and other financial instruments (continued)

(c) Interest rate risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates on floating rate borrowings, on cash on short term deposit and on interest rate swap, with all other variables held constant. The effect on equity is not considered material to the financial position of the Group and therefore no disclosure has been made.

The 2008 analysis below reflects a potentially lesser change in both sterling and euro interest rates than in 2007, due to increased volatility in the financial markets.

	Increase/ decrease in basis points	*Effect on profit before tax*
		£000
2008 [1]		
Sterling	*+100*	*(270)*
Euro	*+100*	*(287)*
Sterling	*-150*	*405*
Euro	*-100*	*287*
2007		
Sterling	*+125*	*(105)*
Euro	*+50*	*(56)*
Sterling	*-125*	*105*
Euro	*-50*	*56*

[1] The Group's senior sterling borrowing facilities as at 31 December 2007 of £120.5m sterling facilities and €40m euro facilities were refinanced in June 2008 to £95.0m sterling facilities and €50.0m euro facilities.

(d) Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

The Group has established procedures to minimise risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors. However, based on the current economic environment the Group has increased the level of provisioning during the year.

Notes to the Group Financial Statements

For the year ended 31 December 2008

30. Derivatives and other financial instruments (continued)

(e) Foreign exchange risk

The following table demonstrates the sensitivity to a reasonably possible change in the euro exchange rates with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in Euro rate	*Effect on profit before tax £000*
2008		
Euro	+10%	(139)
	-10%	170
2007		
Euro	+10%	(128)
	-10%	156

(f) Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted payments. In the table below interest rates on variable rate loans have been based on forward curves plus contracted applicable margins estimated based upon the Group's debt covenant forecasts.

	On demand £000	*Less than 3 months £000*	*3 to 12 months £000*	*1 to 5 years £000*	*> 5 years £000*	*Total £000*
Year ended 31 December 2008						
Interest bearing loans and borrowings	-	769	10,578	121,170	-	132,517
Trade and other payables	348	14,150	13,973	1,935	-	30,406
Interest rate swap	-	739	2,195	1,330	-	4,264
	348	15,658	26,746	124,435	-	167,187

	On demand £000	*Less than 3 months £000*	*3 to 12 months £000*	*1 to 5 years £000*	*> 5 years £000*	*Total £000*
Year ended 31 December 2007						
Interest bearing loans and borrowings	-	2,203	16,490	117,727	-	136,420
Trade and other payables	344	12,741	8,730	1,284	-	23,099
Interest rate swap	-	(226)	(586)	(911)	-	(1,723)
	344	14,718	24,634	118,100	-	157,796

Notes to the Group Financial Statements

For the year ended 31 December 2008

30. Derivatives and other financial instruments (continued)

(g) Hedging activities

Cash flow hedges

At 31 December 2008 and 31 December 2007, the Group held two interest rate swaps which are designated to hedge the interest payments on each of the sterling denominated and euro denominated facilities. The Group recognised a loss of £1,855,000 (2007: £136,000 gain) directly in equity and a credit in the finance cost line of £1,005,000 (2007: £813,000) in respect of these cash flow hedges.

Sterling interest rate swap

The secured sterling loan and sterling interest rate swap have the same critical terms and are assessed to be highly effective. The fair value of the interest rate swap at the balance sheet date was a liability of £1,669,000 (2007: asset of £745,000). This swap is designated as a hedge of 28% of the expected floating rate interest payments on £73m senior facilities sterling bank term loan. The terms of this contract are that the company pay a fixed rate of 4.56% and receive 3 month floating LIBOR rate from Bank of Ireland (net settled quarterly) on a £70m notional sum subject to a repayment schedule in line with the original £140m facilities bank loan. At 31 December 2008 the notional sum is £52,500,000 (2007: £57,500,000).

Euro interest rate swap

The secured euro loan and euro interest rate swap have the same critical terms and are assessed to be highly effective. The fair value of the interest rate swap at the balance sheet date was a liability of £289,000 (2007: asset of £157,000). This swap is designated as a hedge of 65% of the expected floating rate interest payments on the €46.75m senior facilities euro bank term loan. The terms of this contract are that the company pay a fixed rate of 3.83% and receive 3 month floating EURIBOR rate from First Trust Bank (net settled quarterly) on a €22.75m notional sum subject to a repayment schedule in line with the €35m senior facilities euro bank term loan. At 31 December 2008 the notional sum is £15,538,000 (2007: £13,915,000).

Notes to the Group Financial Statements

For the year ended 31 December 2008

31. Pensions and other post retirement benefits

The Group operates two defined benefit pension schemes: one is operated in Northern Ireland ('The UTV Scheme') and the other operates in England ('The Radio Partnership Plan'). Both schemes are funded by the payment of contributions to separately administered trust funds. In addition, the UTV scheme contains an unfunded element as described in the Report of the Board on Directors Remuneration.

The assets and liabilities of the schemes at 31 December are:

31 December 2008

	UTV Scheme £000	*Radio Partnership Plan £000*	*Total £000*
Equities	40,606	508	41,114
Bonds	10,152	384	10,536
Cash	-	67	67
Fair value of scheme assets	50,758	959	51,717
Present value of scheme liabilities	(59,081)	(1,229)	(60,310)
Deficit in the scheme	(8,323)	(270)	(8,593)

31 December 2007

	UTV Scheme £000	*Radio Partnership Plan £000*	*Total £000*
Equities	51,645	653	52,298
Bonds	12,114	311	12,425
Cash	-	40	40
Fair value of scheme assets	63,759	1,004	64,763
Present value of scheme liabilities	(65,228)	(1,396)	(66,624)
Deficit in the scheme	(1,469)	(392)	(1,861)

Notes to the Group Financial Statements

For the year ended 31 December 2008

31. Pensions and other post retirement benefits (continued)

The amounts recognised in the Group income statement and in the Group statement of recognised income and expense for the year are analysed as follows:

Year ended 31 December 2008

	UTV Scheme £000	*Radio Partnership Plan £000*	*Total £000*
Recognised in the income statement			
Current service cost	(1,216)	(32)	(1,248)
Past service cost	-	-	-
Expected return on scheme assets	4,714	72	4,786
Interest cost on scheme liabilities	(3,793)	(82)	(3,875)
Recognised in arriving at operating profit	(295)	(42)	(337)
Recognised in the statement of recognised income and expense			
Actual return on scheme assets	(12,629)	(112)	(12,741)
Less: expected return on scheme assets	(4,714)	(72)	(4,786)
	(17,343)	(184)	(17,527)
Other actuarial gains/(losses)	9,464	250	9,714
Actuarial gain/(loss) recognised in the statement of recognised income and expense	(7,879)	66	(7,813)

Year ended 31 December 2007

	UTV Scheme £000	Radio Partnership Plan £000	Total £000
Recognised in the income statement			
Current service cost	(1,050)	(34)	(1,084)
Past service cost	-	-	-
Expected return on scheme assets	4,170	58	4,228
Interest cost on scheme liabilities	(3,248)	(72)	(3,320)
Recognised in arriving at operating profit	(128)	(48)	(176)
Recognised in the statement of recognised income and expense			
Actual return on scheme assets	4,092	67	4,159
Less: expected return on scheme assets	(4,170)	(58)	(4,228)
	(78)	9	(69)
Other actuarial gains/(losses)	1,488	95	1,583
Actuarial gain/(loss) recognised in the statement of recognised income and expense	1,410	104	1,514

Notes to the Group Financial Statements

For the year ended 31 December 2008

31. Pensions and other post retirement benefits (continued)

Pension costs are assessed in accordance with the advice of a professionally qualified actuary and are accounted for on the basis of charging the cost of providing pensions over the period during which the Group derives benefit from the employees' services.

Scheme assets are stated at their market value at the respective balance sheet dates and the expected rates of return are established by applying published broker's forecasts to each category of scheme assets.

		UTV Scheme		*Radio Partnership Plan*
	31 December 2008	*31 December 2007*	*31 December 2008*	*31 December 2007*
Assumptions				
Rate of general increase in salaries	3.90%	4.40%	3.90%	4.40%
Pension in payment increase	2.90%	3.40%	2.90%	3.40%
Expected long term return on assets	6.99%	6.99%	6.57%	6.57%
Discount rate for scheme liabilities	6.25%	5.80%	6.25%	5.80%
Inflation	2.90%	3.40%	2.90%	3.40%
Expected return on scheme assets				
- Equities	7.00%	8.00%	7.00%	8.00%
- Bonds	4.95%	4.75%	4.95%	4.75%
- Cash	2.00%	5.50%	2.00%	5.50%
Assumed life expectancy for a 65 year old				
- Male: pensioner	20.25	20.20	20.25	20.20
- Female: pensioner	23.11	23.00	23.11	23.00
- Male: non-pensioner	21.26	21.10	21.26	21.10
- Female: non-pensioner	24.04	23.90	24.04	23.90

Notes to the Group Financial Statements

For the year ended 31 December 2008

31. Pensions and other post retirement benefits (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	UTV Scheme £000	*Radio Partnership Plan £000*	*Total £000*
At 1 January 2007	(63,964)	(1,398)	(65,362)
Service cost	(1,050)	(34)	(1,084)
Past service cost	-	-	-
Members contributions	(349)	(1)	(350)
Benefits paid	1,895	14	1,909
Interest cost on scheme liabilities	(3,248)	(72)	(3,320)
Actuarial gains and losses	1,488	95	1,583
At 31 December 2007	(65,228)	(1,396)	(66,624)
Service cost	(1,028)	(32)	(1,060)
Past service cost	-	-	-
Members contributions	(346)	(1)	(347)
Benefits paid	2,392	32	2,424
Reclassification of unfunded plan	(470)	-	(470)
Interest cost on scheme liabilities	(3,767)	(82)	(3,849)
Actuarial gains and losses	9,366	250	9,616
At 31 December 2008	(59,081)	(1,229)	(60,310)

Changes in the fair value of the schemes assets are analysed as follows:

	UTV Scheme £000	*Radio Partnership Plan £000*	*Total £000*
At 1 January 2007	60,470	910	61,380
Expected return on scheme assets	4,170	58	4,228
Employer contribution	743	40	783
Members contribution	349	1	350
Benefits paid	(1,895)	(14)	(1,909)
Actuarial gains and losses	(78)	9	(69)
At 31 December 2007	63,759	1,004	64,763
Expected return on scheme assets	4,714	72	4,786
Employer contribution	1,674	98	1,772
Members contribution	346	1	347
Benefits paid	(2,392)	(32)	(2,424)
Actuarial gains and losses	(17,343)	(184)	(17,527)
At 31 December 2008	50,758	959	51,717

Notes to the Group Financial Statements

For the year ended 31 December 2008

31. Pensions and other post retirement benefits (continued)

History of experience gains and losses

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
UTV Pension Scheme					
Fair value of scheme assets	50,758	63,759	60,470	55,372	46,118
Present value of defined benefit obligation	(59,081)	(65,228)	(63,964)	(61,286)	(53,353)
Deficit in the scheme	(8,323)	(1,469)	(3,494)	(5,914)	(7,235)
Experience adjustments arising on plan liabilities	1,356	(511)	(257)	5,169	350
Experience adjustments arising on plan assets	(17,343)	(78)	2,367	6,380	1,446

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Radio Partnership Plan					
Fair value of scheme assets	959	1,004	910	819	-
Present value of defined benefit obligation	(1,229)	(1,396)	(1,398)	(1,225)	-
Deficit in the scheme	(270)	(392)	(488)	(406)	-
Experience adjustments arising on plan liabilities	-	-	(81)	-	-
Experience adjustments arising on plan assets	(184)	9	13	24	-

The defined benefit obligation comprises £8,124,000 (2007: £1,861,000) from plans that are wholly or partly funded and £470,000 (2007: £353,000) arising from unfunded plans.

The cumulative amount of actuarial gains and losses recognised since 1 January 2004 in the Group statement of recognised income and expense is £2,717,000 of losses (£5,096,000 gain). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken directly to equity of £831,000 in the Group is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group statement of recognised income and expense before 1 January 2004.

The estimated normal Group contributions for the next financial period are £632,000. The Group has also agreed to fund £5,322,000 towards the actuarial deficit on the UTV scheme over a three year period, which commenced with a payment of £950,000 in 2008.

The Group also operates a number of defined contribution pension schemes in Northern Ireland, the Republic of Ireland and Great Britain. Contributions are charged in the income statement as they become payable in accordance with the rules of the scheme. Contributions in the year amounted to £363,000 (2007: £279,000).

The most significant factor in deriving the pension liability is the discount rate. In applying sensitivity to this factor of plus or minus 0.5% the impact on the scheme liabilities could be a decrease of 7% or an increase of 7.7%. However movements in this sensitivity could result in other offsetting factors such as salary inflation.

Notes to the Group Financial Statements

For the year ended 31 December 2008

32. Related party transactions

During the year the Group made sales in the normal course of business to its associated companies and was charged commission by its joint ventures. In addition, joint ventures collect trade receivables on behalf of the Group. Transactions entered into and the trading balances at the year end are summarised below. Payments are made and debts collected under normal trade terms.

	2008 *£000*	*2007* *£000*
Sales to associated companies	586	567
Amounts owed by associated companies	74	60
Charges from joint ventures	568	650
Amounts owed by joint ventures	938	1,376
Amounts owed to joint ventures	157	322

The key management personnel in the Group are the Directors. Details of transactions with the Directors are included within the 'Report of the Board on Directors' Remuneration'.

Compensation of key management personnel

	2008 *£000*	*2007* *£000*
Short-term employee benefits	1,271	1,759
Post employment benefits	277	278
Share-based payments	(417)	417
Compensation for loss of office	275	-
	1,406	2,454

33. Capital commitments

	2008 *£000*	*2007* *£000*
Plant, property and equipment		
Contracted for and not provided for in the accounts	252	11

At 31 December 2008 capital commitments of £252,000 (2007: £11,000) were entered into by the Group's joint venture.

Statement of Directors' Responsibilities in Relation to the Parent Company Financial Statements

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

Independent auditor's report to the members of UTV Media plc

We have audited the parent company financial statements of UTV Media plc for the period ended 31 December 2008 which comprise the Balance Sheet and the related notes 1 to 8. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report of the Board on the Directors' Remuneration that is described as having been audited.

We have reported separately on the group financial statements of UTV Media plc for the year ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. 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 auditors' 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, the Report of the Board on Directors' Remuneration and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Report of the Board on Directors' Remuneration 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 parent company financial statements and the part of the Report of the Board on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Business Review and the Financial Review that is cross referred from the Business Review section of the Report of the Directors.

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 other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Financial Review, the reports on Radio GB, Radio Ireland, Television and New Media, the Corporate Governance statement, the unaudited part of the Report of the Board on Directors' Remuneration and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Report of the Auditors

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 parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company financial statements and the part of the Directors' 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Report of the Board on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

ERNST & YOUNG

Ernst & Young LLP
Registered auditor
Belfast
30 March 2009

Company Balance Sheet

At 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Investments	3	297,191	293,141
Current assets			
Debtors: amounts due within one year	4	2,439	-
Debtors: amounts falling due after one year	5	20,949	20,949
Cash at bank and in hand		19	6
		23,407	20,955
Creditors: amounts falling due within one year	6	(90,003)	(116,945)
Net current liabilities		(66,596)	(95,990)
Total assets less current liabilities		230,595	197,151
NET ASSETS		230,595	197,151
Capital and reserves			
Called up share capital	7	4,795	2,877
Capital redemption reserve	8	50	50
Share premium account	8	50,762	5,209
Profit and loss account	8	174,988	189,015
EQUITY SHAREHOLDERS' FUNDS		230,595	197,151

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2009. They were signed on its behalf by:

J McCann
N McKeown
} Directors

Notes to the Company Financial Statements

For the year ended 31 December 2008

1. Basis of preparation

The accounts are prepared under the historical cost convention, and in accordance with applicable UK accounting and financial reporting standards.

The Company has taken advantage of the exemption provided under Article 236 of the Companies (Northern Ireland) Order 1986 not to publish its individual income statement and related notes. The Company is also exempt from the disclosures required by FRS 29 as the Group accounts include such disclosures.

2. Accounting policies

Taxation

The tax expense represents the sum of tax currently payable or recoverable in respect of the taxable profit or loss for the period plus any deferred tax charge or credit.

Fixed asset investments

Fixed asset investments are stated at cost less any provisions for permanent impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where merger relief is available the cost is based on the nominal price of the shares issued.

Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them and are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, being the directly attributable transaction cost. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Company has no financial assets classified as held for trading or held to maturity in the current period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable for the issue of new shares or options are shown in equity as a deduction from the proceeds.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Notes to the Company Financial Statements

For the year ended 31 December 2008

3. Investments

	2008 £000
Cost and net book value	
At 1 January 2008	293,141
Acquisition of The Internet Business Ltd [1]	4,050
At 31 December 2008	297,191

[1] On 12 February 2008 the Group acquired the entire issued share capital of Holbeck Enterprises Limited, a dormant holding company which owns 100% of the issued share capital of The Internet Business Limited (trading as 'Tibus'). The total cash consideration paid to date amounts to £4,000,000 for the business acquired and £50,000 for costs. The share purchase agreement allows for a contingent consideration to be made for this acquisition up to £1,000,000. However based on the criteria that must be achieved, the Group does not consider it probable that any further amount will be paid and thus no accrual is carried for this at the year end.

A list of all companies held by UTV Media plc is recorded in the Group accounts under note 17 and has not been duplicated.

4. Debtors: amounts due within one year

	2008 £000	2007 £000
Amounts due from group undertakings	2,439	-

5. Debtors: amounts falling due after more than one year

	2008 £000	2007 £000
Preference share capital	20,949	20,949

This debtor represents redeemable preference shares in Anotherway (an unlimited company), a subsidiary company of UTV Media plc which is incorporated in the Republic of Ireland.

6. Creditors

	2008 £000	2007 £000
Accruals	89	-
Amounts owed to group undertakings	89,914	116,945
	90,003	116,945

Notes to the Company Financial Statements

For the year ended 31 December 2008

7. Authorised and issued share capital

Ordinary share capital	*Authorised*		*Issued*	
	Number thousands	*Nominal value £000*	*Number thousands*	*Nominal value £000*
Shares authorised on incorporation (1)	100	100	-	-
Consolidation of shares (2)	(75)	-	-	-
Authorisation of further ordinary shares (2)	99,975	399,900	-	-
Consolidation of ordinary shares (3)	(100,000)	-	-	-
Subdivision of ordinary shares (3)	114,286	-	-	-
Shares credited as fully paid to UTV plc (4)	-	-	54,802	191,805
Reduction in the nominal value of shares (4)	(14,286)	(395,000)	-	(189,065)
Share placing (5)	-	-	2,740	137
At 31 December 2007	100,000	5,000	57,542	2,877
Authorisation of further ordinary shares (7)	100,000	5,000	-	-
Rights issue (8)	-	-	38,361	1,918
At 31 December 2008	200,000	10,000	95,903	4,795

Redeemable preference share capital	*Authorised*		*Issued*	
	Number thousands	*Nominal value £000*	*Number thousands*	*Nominal value £000*
On incorporation	-	-	-	-
Authorisation of 50,000 preference shares of £1 each (2)	50	50	50	50
Redemption and cancellation of preference shares (6)	-	-	(50)	(50)
At 31 December 2008	50	50	-	-

(1) The Company was incorporated on 7 July 2007 (and re-registered as a public limited company on 21 August 2007) and the authorised share capital of £100,000 was divided into 100,000 ordinary shares of £1.00 each. One ordinary share was issued and fully paid.

(2) On 13 August 2007 seven ordinary shares of £1.00 each were issued, each of the 100,000 ordinary shares of £1.00 each were consolidated into 25,000 shares of £4.00 each and the authorised share capital was increased to £400,050,000 by the creation of a further 99,975,000 ordinary shares of £4.00 each and 50,000 redeemable preference shares of £1.00 each which were issued and fully paid.

(3) On 11 October 2007, 99,999,998 of the ordinary shares of £4.00 each were consolidated into 1 ordinary share of £399,999,992 and this share was subdivided into 114,285,712 ordinary shares of £3.50 each.

(4) On 12 October 2007, the Company issued 54,801,517 shares of £3.50 each in consideration for the cancellation of the issued share capital of UTV plc and issuance of new shares in UTV plc to UTV Media plc pursuant to the scheme of arrangement. Pursuant to a court approved reduction of share capital, the authorised share capital of UTV Media plc was reduced from £400,050,000 (divided into 114,285,712 ordinary shares of £3.50 each, 2 ordinary shares of £4.00 each and 50,000 redeemable preference shares of £1.00 each) to £5,050,000 divided into 100,000,000 ordinary shares of 5p each and 50,000 redeemable preference shares of £1.00 each. The issued share capital was reduced from 54,801,517 shares of £3.50 each to 54,801,517 shares of 5p each.

Notes to the Company Financial Statements

For the year ended 31 December 2008

7. Authorised and issued share capital (continued)

(5) On 18 December 2007, 2,740,000 ordinary shares in UTV Media plc (the 'Placing Shares') were placed at a price of £2.00 per ordinary share, raising gross proceeds of £5,480,000 for the Group. Application was then made for the Placing Shares to be admitted to trading on the main market of the London Stock Exchange and on the Irish Stock Exchange. The Placing Shares rank pari passu in all respects with the existing ordinary shares of the Group.

(6) On 19 December 2007 the 50,000 redeemable preference shares were redeemed at par and cancelled in accordance with their terms.

(7) On the 20 June at a General Meeting held by UTV Media plc the ordinary share capital was increased from £5,050,000 to £10,050,000 by the creation of 100,000,000 ordinary shares of 5 pence in the capital of the Company, each ranking pari passu in all respects with the existing ordinary shares in the capital of the Company.

(8) On 15 July 2008 the company issued 38,361,011 shares by way of a rights issue raising £47,471,000 (net of costs). The rights issue was undertaken on the basis of 2 rights issue Shares for every 3 existing ordinary shares held on 17 June 2008 at the rights issue price of 130 pence per rights issue share.

8. Reconciliation of movement in shareholders' funds

	Called up share capital £000	*Capital redemption reserve £000*	*Share premium account £000*	*Profit and loss account £000*	*Total £000*
Balance on incorporation	-	-	-	-	-
Scheme of arrangement	191,805	-	-	-	191,805
Capital reduction	(189,065)	50	-	189,015	-
Share placing	137	-	5,209[1]	-	5,346
(Loss)/profit for the period	-	-	-	-	-
Balance at 31 December 2007	2,877	50	5,209	189,015	197,151
Rights issue	1,918	-	45,553[2]	-	47,471
Loss for the period	-	-	-	(6,120)	(6,120)
Dividends paid	-	-	-	(7,907)	(7,907)
Balance at 31 December 2008	4,795	50	50,762	174,988	230,595

(1) This figure is net of costs incurred as a result of the share placement of £134,000.
(2) This figure is net of costs amounting to £2,398,000 incurred as a result of the rights issue.

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Company Secretary: N McKeown BSc (Econ) FCA

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