

8203873

Scotland's broadcaster of choice.

Annual Report and Accounts
2008



THURSDAY



SKV4299V

SCT

23/04/2009

134

COMPANIES HOUSE

Report of the Directors

- 02 Chairman's Statement
- 04 Chief Executive Officer's Review
 - 08 Broadcasting
 - 12 Content
 - 16 Ventures
 - 18 Non-Core Business
 - 19 The Future
 - 20 Social Responsibility
- 26 Chief Financial Officer's Report
- 32 Board of Directors
- 34 Corporate Governance
- 40 Remuneration Committee Report

Accounts

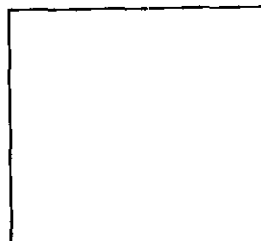
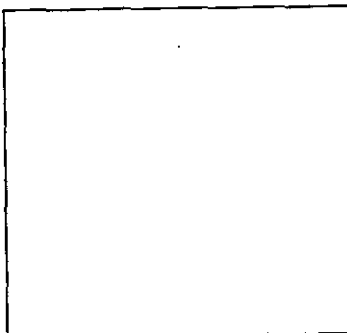
- 58 stv group plc Group Financial Statements –
Independent Auditors' Report to the Members
of stv group plc
- 60 Consolidated Income Statement
- 60 Consolidated Statement of Recognised
Income and Expense
- 61 Consolidated Balance Sheet
- 62 Consolidated Cash Flow Statement
- 63 Notes to the Financial Statements
- 92 stv group plc Company Financial Statements –
Independent Auditors' Report to the Members
of stv group plc
- 94 Company Balance Sheet
- 95 Notes to the Company Financial Statements
- 98 Five-Year Summary of Financial Statements
- 99 Notice of Annual General Meeting
- 103 Investor Information

**Our vision is to
be Scotland's most
influential, relevant,
innovative and
trusted media brand.**

Highlights

- Business structured to deliver in three key business areas: Broadcasting, Content and Ventures
- Debt reduced by £121m from start of 2007 resulting in a normal, sustainable debt level
- Delivered on 2008 KPI growth targets, with some upward adjustment in KPIs to reflect over-achievement
- Virgin Radio sold for gross proceeds of £53.2m to TIML
- £30m returned to shareholders by Tender Offer
- Name changed to stv group plc to reflect focus on TV business
- New stv.tv online platform launched with full ITV Network and local Scottish content
- Alan Clements joins as Director of Content
- New two-year deal agreed with Setanta
- Taggart celebrated 25 year anniversary in 2008 and produced 100th episode

Chairman's Statement



In my last report to shareholders, I described how 2007 had been a transformational year for the Company, focused on cost and debt reduction, and a restructuring of the business to ensure its resilience in more challenging economic times. This momentum of change continued into 2008, as we sought to further strengthen our financial position, to make greater operating efficiencies and to enhance our content proposition for Scottish viewers and advertisers.

As a result of exceptional efforts by our management and staff, during some of the most challenging market conditions imaginable, we have produced a Television operating profit in line with our budget and market expectations set, under much more favourable economic circumstances, in late 2007.

Strategically, we have continued to execute the plan we put to shareholders in July 2007, to focus on and grow our core Scottish TV, Content and Digital Media businesses. To this end, we successfully completed the sale of Virgin Radio against a backdrop of falling advertising revenues across the radio industry. The sale price of £53.2 million, without transfer of the Virgin brand name, reflects great credit on Rob Woodward and his team. I am also pleased we were able to fulfil our commitment to return cash to shareholders, which we did through a £30 million tender offer. At the same time, we recognised the refocused nature of the company with a name change to stv group plc, and executed a 1 for 20 share consolidation.

In television we have continued to grow Scottish-based advertising revenue, up 11% year-on-year, and thus reduce our dependency on sales generated by ITV plc, where

revenue fell 8% during the year. Our TV earnings of £13.2m are entirely due to the hard work of our management and staff, who have embedded both operating cost efficiency and a focus on commercial growth opportunities firmly into the DNA of the business. We continue to make further operational improvements to help meet our 2009 goals, in what will undoubtedly prove an extremely challenging year. We have long held the view that Contract Rights Renewal (CRR) unfairly penalises the non-ITV plc licence holders in particular and that this mechanism is no longer appropriate in a changed television landscape. This is currently being reviewed by the OFT. stv has always recognised that abolition of CRR would grant flexibility to ITV and we trust that, in the interests of proper and fair competition, any decision taken to abolish CRR must ensure adequate and appropriate regulatory protections for minority licence holders.

Our digital strategy was successfully launched in 2008 and we saw visitor numbers to our sites grow by a factor of four during the course of the year. We continue to be on track in executing new media initiatives, and, because our plan leverages existing audience and content assets, we are achieving cash positive growth without any significant capex spend. 2008 was a positive year for our Content business too, and, under the new leadership of Alan Clements, we expect this to continue to grow. We also secured acknowledgement from the Government and the Regulator that stv lacks any influence over ITV commissioning and scheduling, and thus support to our achieving Independent Producer status as soon as possible.

Pearl & Dean has continued to struggle with onerous contract obligations that were entered into some years ago. Cash losses, which we took a provision against, increased to £8.0m in 2008 from £3.5m last year. More positively, P&D won a major new contract, taking its cinema advertising market share to 34% of the UK total. However, Cinema remains a non-core business held for sale and, given the final payment under the onerous

**In 2008 all of the
top 50 commercial
programmes were
shown on stv.**

**stv is Scotland's
most popular
peak-time
broadcaster.**

contract is due in January 2010, we will sell the business at the earliest opportunity.

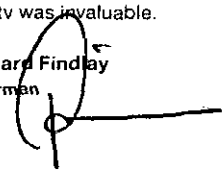
Beyond the obvious changes in the economic climate, 2008 has also been critical for the regulatory environment in which we operate. During the course of the year, the Scottish Broadcasting Commission published its final report and proposed a new digital channel for Scotland. While we support this in principle, we believe that it is important to ensure the financial stability of the existing broadcasting infrastructure before adding yet another channel to an already fragile ecology. In its second Public Service Broadcasting Review, Ofcom put forward a number of suggestions designed to safeguard Channel 3 services in the future, many of which have merit, but fundamental decisions on funding are needed if we are to retain all that is best within the current service, that viewers rate very highly and wish to see preserved.

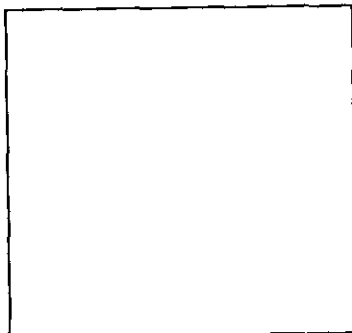
We remain totally committed to the concept of public service broadcasting, which lies at the heart of our strategic thinking; but it has to be recognised that the current model is under severe economic pressure. This is particularly so whilst future funding requirements remain unresolved. We have made proposals to both Government and Ofcom to deal with this and believe that all stakeholders in the debate understand the important role stv plays, not least in news provision at all levels across Scotland. We have argued strongly that the basic federal nature of the ITV system should be retained for the benefit of all parts of the UK, whilst accepting that significant changes need to be made. We refuted any suggestion that ITV plc subsidises the smaller licence holders; indeed, a report from an independent consultancy we commissioned with UTV suggests exactly the opposite. The strength that the federal Channel 3 system gives to all its members needs to be properly recognised and I am encouraged that Ofcom's initial response to feedback on its consultation supports this view.

As we look ahead into the year, there is little doubt that the trading environment will remain extremely difficult, particularly in national advertising. However, I believe that the transformation and restructuring launched in 2007 has left us in a strong position relative to our peers. In 2008, we may have been the only UK media company to grow its local market, to return cash to shareholders and to meet its original financial goals for the year. I believe our three core businesses (Broadcasting, Content and Ventures) are all robust, and will continue to outperform their peers. As a Group, our key focus is to deliver 2009 results, and to further strengthen our balance sheet through cash generation and a disposal of Pearl & Dean; this will also allow us to continue making payments that reduce our pension deficit and, at an appropriate time, to resume paying a dividend. I firmly believe we have the strategic, operating and financial means within our business to achieve a significant recovery in shareholder value when the market cycle ends its current decline, and we are very focused on this ultimate goal.

The progress the business has made, in trying circumstances, is something I have to thank all of our employees for and, in particular, our Chief Executive Officer, Rob Woodward, whose personal contribution has been immeasurable. Equally, our efforts to refocus the TV business have been rewarded by very positive support from Scottish viewers and advertisers, and we are committed to continue providing the best and most relevant television in Scotland. Finally, amongst my Board colleagues, I want to thank Lord Waheed Alli for his service to the Company and to say how sorry we are that business and parliamentary commitments meant he did not feel able to continue as a non-executive director into 2009. His contribution during a critical period for stv was invaluable.

Richard Findlay
Chairman





**Over 4 million
people watch
stv every month.**

Two years on from my appointment, I am pleased to report that stv is a transformed business in a financially sound position. In 2008, we took control of our destiny and have developed and implemented a clear, focused strategy based on positioning stv as Scotland's broadcaster of choice.

We have demonstrated that we are delivering on the promises that we set out in 2007, as quantified in our KPIs. In 2008, we met 10 out of the 12 growth targets and on five measures exceeded our goals.

Our KPIs for 2009 are again ambitious, but achievable, and the work carried out in 2008 means we are well placed to again realise our targets and, despite the horrendous economic conditions, deliver another strong performance.

In a very challenging market, we have successfully de-risked the core business, and have executed on a number of significant corporate activities. These actions include the sale of Virgin Radio; completion of a successful tender offer; and a share consolidation process. We also changed the name of the business to reflect the focus on broadcasting and our Scottish market.

We are now looking to the future with guarded optimism, seeking to continue to grow the business through our three main business units: Broadcasting, Content and Ventures, operating as a single company under our stv brand.

Non-core assets

This year we completed the sale of Virgin Radio, achieving a strong price in a tough market. Our only remaining non-core legacy business is Pearl & Dean, which we are looking to sell.

stv

Our broadcasting business, stv, is our core activity moving forward. The vision remains to become Scotland's most influential, relevant, innovative and trusted media brand. I am pleased to report that we are on track to meet this ambition and build on our position as Scotland's broadcaster of choice.

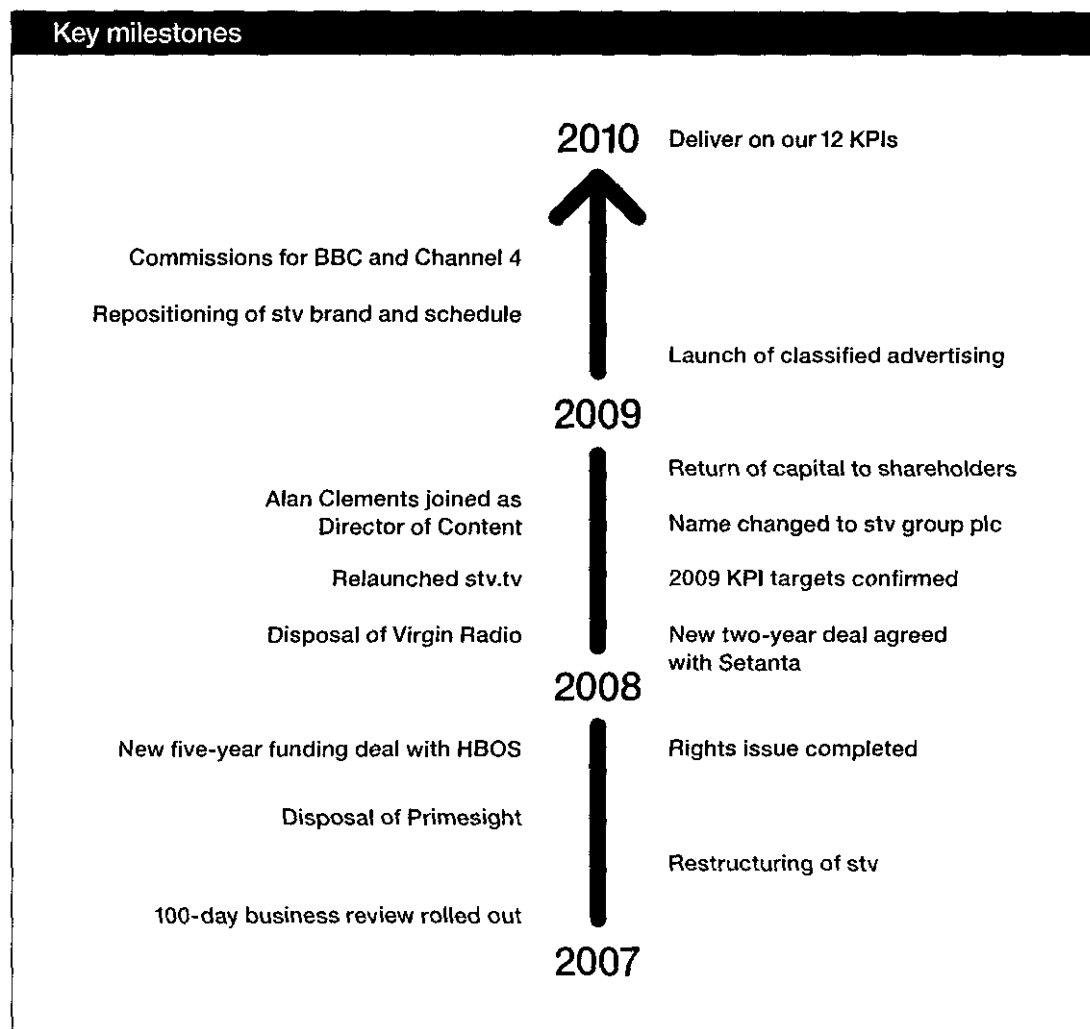
We have effectively aligned the cost base to our revenue expectations which has benefited our 2008 performance and we will identify further savings in 2009. We have restructured our senior management to reflect the business strategy, and made a number of key appointments to strengthen the team and add new skills.

Key appointments include Alan Clements as Director of Content and David Brook as Interim Director of Programmes and Marketing. Our Commercial Director David Connolly now sits within the leadership team, highlighting the crucial role of our commercial team. Anmar Kawash has become the Chief Operating Officer.

stv has a strong brand and market positioning and going forward we will continue to embrace the power of localness within our content, digital and sales strategies.

With a solid foundation and a talented team in place, we have the confidence, momentum and expertise to deliver our growth initiatives in 2009.

Key milestones



Chief Executive Officer's Review continued

stv.tv/news

stv continues to be the most popular peak-time channel in Scotland, with 3.5 million people watching every week. stv's popular news service attracts a 25% audience share and consistently outperforms the BBC1 national news at 6pm.

25% audience share for news.

Broadcasting

stv continues to be the most popular peak-time station in Scotland, with a share of 25.7% versus BBC1 at 21.9%, and 3.5 million people tuning in to stv per week. Commercial impacts were up 2% year-on-year, outperforming the ITV network which was down 0.6%.

Increasing regional sales and sponsorship is of paramount importance for us and 2008 has been an outstanding year for our sales team. We have achieved or outperformed all three broadcasting KPIs for 2008 in the broadcasting division.

Under the leadership of David Connolly, the sales team introduced innovative solutions and creative packages for advertisers which meant that, despite the horrendous marketplace, regional sales were up 11% year-on-year, bucking the national trend. Our target for Regional Advertising Market Share was 21% and I am pleased to report that we achieved 22% for the year, up from our 2007 level of 20%.

Sponsorship revenues were up by 50% year-on-year, meaning that we achieved our KPI target for 2010, two years ahead of schedule. We have looked at increasing sponsorship opportunities within the schedule by offering one-minute slots for advertisers within series such as our daily live magazine programme, *the five thirty show*. Businesses who have taken up this opportunity include News International, ScottishPower, Arnold Clark and Learn Direct Scotland.

In 2008, we increased our sponsorship opportunities and on any one day we can now offer four one-minute slots. This is an excellent prospect for businesses seeking to raise their profile via alternative means to advertising and is an

11% increase in regional sales.

important revenue driver for stv. The initiative has gained momentum throughout the year with 13 different advertisers taking advantage of this new commercial opportunity.

We also achieved our broadcasting margin KPI of 11%, partly due to the significant cost we removed from the business in 2008. However, due to the poor economic outlook for 2009 and advertising expenditure under severe pressure, it will be difficult to grow margins during 2009.

By working closely with our Ventures business, our sales team has developed an integrated approach to selling television and online opportunities to exploit stv's unique advertising portfolio in Scotland, providing added value to clients. The same integrated approach has been applied to on-screen and online content.

Providing an excellent service to direct advertisers and agencies and winning share from competitors remains key for 2009. We have established a strong base and continue to consolidate our position.

We have strengthened our acclaimed news service demonstrating our commitment to providing high quality local, regional and national news both on-air and online. Ofcom research confirms that there is a healthy and valued appetite for Scottish news and our audience share for 2008 is 25% on average, consistently outperforming the BBC News at 6pm.

Our unique infrastructure allows us to transmit micro-regional news bulletins within our two main news programmes, *Scotland Today* and *North Tonight*, and these five-minute sections are frequently the most popular parts of the shows. We have also confirmed to both Ofcom and ITV plc that we would be willing to provide a comprehensive national and local news service for the Scottish regions of the Border transmission area.

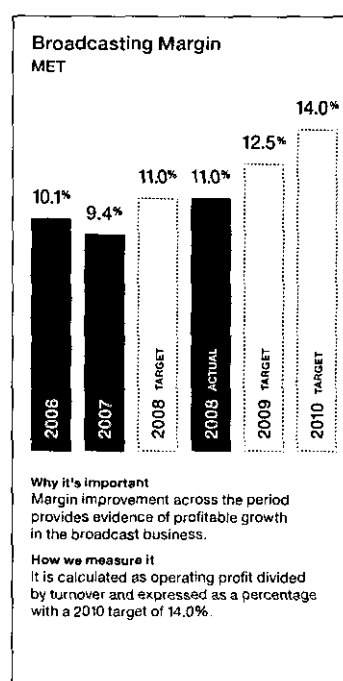
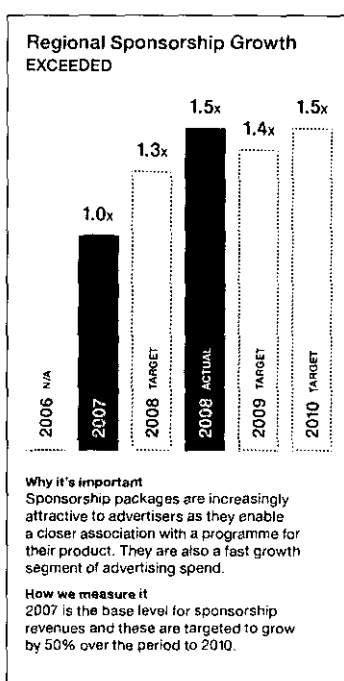
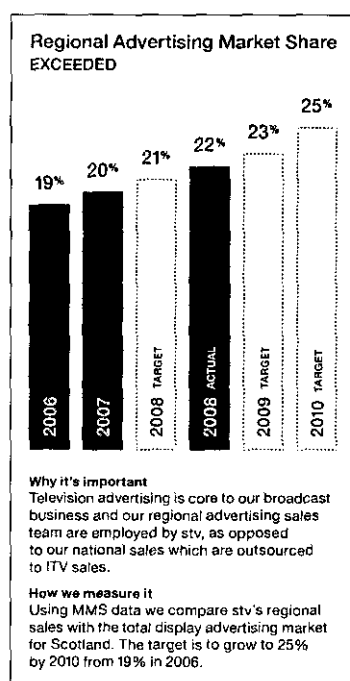


We have grown our dedicated online news team to five full-time staff in 2008, which works alongside our broadcast news team to ensure www.stv.tv/news and our breaking news site are fully up-to-date, comprehensive and accessible. The online team successfully collaborates with both news programmes. One example in 2008 was an online Q&A session with the prison governor as part of a special one-off *Scotland Today*, presented live from Barlinnie Prison.

In May 2008, our Dundee news team moved to new and improved, state-of-the-art studios in the heart of Dundee's growing creative media district. We are wholly committed to providing our valued news service going forward as a strong competitor to the BBC and are pleased that Ofcom

has recommended the introduction of a competitive fund for regional news services from 2011.

In 2008, we continued to take greater control of our schedule implementing the Devolution Contract, opting out of the ITV1 Network where it was beneficial for both the business and our viewers to do so. Examples of this include quiz show *Postcode Challenge*, Scottish-made drama, *Missing* and a successful one-hour documentary on convicted murderer Peter Tobin. We will continue this trend of inserting more home-grown content into our schedule in 2009.



Chief Executive Officer's Review continued

stv.tv/video

Content is at the very heart of stv's plans for the future and 2008 saw a raft of exciting original productions from the business. From the most successful *Jack Osbourne Adrenaline Junkie* series yet; to a series about the Highlands of Scotland which considerably outperformed the network slot; to 100 episodes of hit drama *Taggart*; it's been a busy and successful year for stv productions.

**80 hours
of content
produced
in 2008.**

**141 territories
have acquired
*Jack Osbourne
Adrenaline Junkie.***

Content

2008 was a successful year in terms of production hours. At the half year point, we upgraded this KPI from 60 to 70 hours and at year end, we achieved 80 production hours therefore exceeding our original target by 33%. We also exceeded our content margin target by 8 percentage points, achieving 18% against a target of 10%.

Our deal with the People's Postcode Lottery, to fully fund quiz show *Postcode Challenge* presented by Carol Smillie, proved hugely successful for us in 2008. We broadcast 62 episodes which regularly performed ahead of the network. Our second fully advertiser-funded series of 2008 was *The Merchant Navy*, which as a whole outperformed the network by 29% and attracted 41,000 video plays on www.stv.tv.

2008 was a landmark year for our drama, *Taggart* as the show celebrated its 25th anniversary, filmed its 100th episode and went into production with its largest ever commission of 10 hour-long episodes for ITV1. In addition to numerous repeats on a variety of channels, 10 new episodes were broadcast this year and continued to be ratings winners for the ITV Network with the best performing episode attracting over 6 million viewers and an impressive 26% audience share.

Other key commissions for 2008 included a second series of *DNA Stories* with Sky Real Lives, hosted by Lorraine Kelly and a popular six-part series about the history of the Highlands with John Michie, which outperformed the network by 39% on average.

Ginger Productions won another commission of the successful brand *Jack Osbourne Adrenaline Junkie*

and this celebrity version for ITV2 was the most successful *Adrenaline Junkie* series so far, with viewing figures up 8% year-on-year.

We have been experimenting with our schedule, opting out of the network to showcase Scottish programming such as brand new magazine-style weekday show *the five thirty show*, and quiz show, *Postcode Challenge* on Mondays at 8pm. We also established a 10.40pm drama slot on a Thursday, showing high quality home-grown drama for 18 consecutive weeks.

In September 2008, Alan Clements took up his post as Director of Content. This was a key appointment for the television business as content remains at the very heart of our plans for the future. Alan has reviewed and restructured the team and developed a strategy to ensure maximum productivity and creativity, with a view to creating an exciting Scottish schedule and winning valued commissions from other broadcasters. We also intend to work with other digital channels on joint projects and pursue an active role in the international market.

We plan to further experiment with our programming, offering a strong mix of content in consistent identifiable slots, aiming to capture targeted demographics. As part of this strategy, in early 2009, we re-established the traditional children's programming slot on weekend mornings by launching *wknd@stv*.

Taggart continues to sell well internationally, doing particularly well in Australia, where it is one of ABC's top-rating dramas. We continued to exploit our back catalogue, with sales of series *Fun House*, *Club Reps*, *Doctor Finlay* and three series plus a one-off special of *Unsolved*. 2008 was an excellent and unprecedented year for international DVD sales with a key deal involving the sale of our back catalogue of *Taggart*.

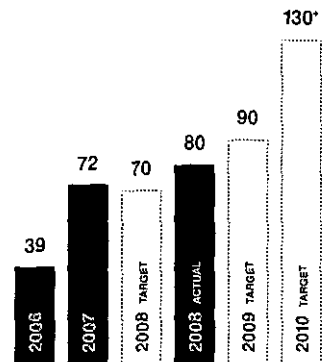


As such, we have exceeded our 2008 and 2009 KPI target in terms of Rights Exploitation Growth by some 20%.

Our library, which is home to 200,000 hours of footage, is a valuable catalogue to be monetised and we achieved 40% growth in revenues, which is in line with our KPI for 2008.

Our lobbying activity to win independent status for stv productions continued this year and, whilst we are making very positive progress with this, work will continue into 2009 to ensure a successful conclusion.

Production Hours EXCEEDED



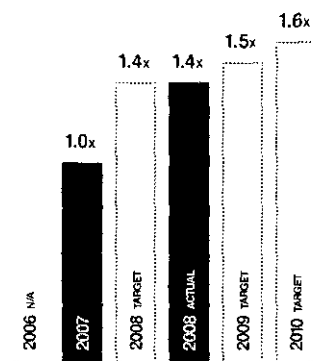
Why it's important

A key strategic objective is to grow our content business and this provides clear evidence of that growth.

How we measure it

It is the total of all hours of new production delivered in the financial year to broadcasters.

Library Content Monetisation MET



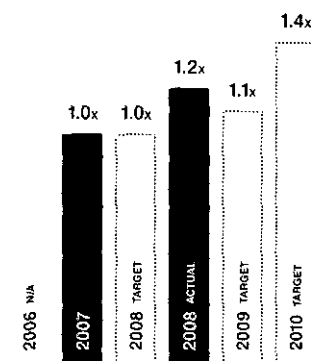
Why it's important

Our content library contains over 200,000 hours of production which is a valuable catalogue to be monetised.

How we measure it

2007 is the base level for library revenues and these are targeted to grow by 60% over the period to 2010.

Rights Exploitation Growth EXCEEDED



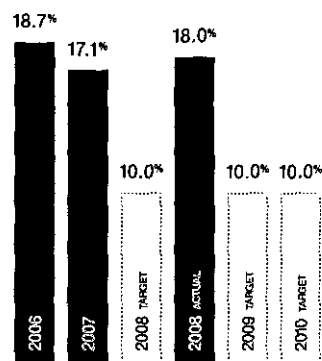
Why it's important

Secondary sales in the UK market and to overseas broadcasters provide additional revenues and margin.

How we measure it

2007 is the base level for content rights revenues and these are targeted to grow by 40% over the period to 2010, as our content deliveries grow.

Content Margin EXCEEDED



Why it's important

Margins provide evidence of the level of profit being achieved in the business.

How we measure it

It is calculated as operating profit divided by turnover and expressed as a percentage. The target is to maintain 10% in the context of talent inflation and broadcaster tariff deflation.

Chief Executive Officer's Review continued

The logo for stv.tv, featuring the text "stv.tv" in a white, sans-serif font on a black rectangular background.

Ventures is our high-growth business incorporating stv.tv, stv creative and resource business, Solutions. 2008 was an exciting year for Ventures, with the launch of a new world-class video site and an impressive rise in online visitors to the new look online platform, stv.tv.



Four-fold increase in visitors to stv.tv since re-launch.

Ventures

Our high-growth business, Ventures, manages our online and resource-based activities. Since his appointment in February 2008, our Head of New Media, has been implementing his digital strategy which is based around developing capability, radically improving platforms and expanding content on www.stv.tv.

Success in this area is evident in the statistics, with our new sites delivering strong growth: online visitor numbers have regularly hit 30,000 per day, keeping us on track with this KPI. Page views were also up 74% year-on-year, rising to 173% for the second half of the year, versus 2007.

Key to the growth of www.stv.tv was the launch of our new video player (www.stv.tv/video), which utilises world-class technology, in partnership with global online video platform company Brightcove. The site, which offers archive and catch-up and clips services, was completed at very low cost in a quick timescale. The successful launch of the video site saw 1.5m video plays in the last six months of the year with an average visitor duration of over 9 minutes.

stv.tv's bingo site continues to perform well in a very competitive market. Gross gaming revenues for bingo were up 19% on last year with over 5,000 new funded players added.

We are going through the process of bringing the infrastructure management of our website in-house, allowing us greater control of the site and simultaneously reducing costs.

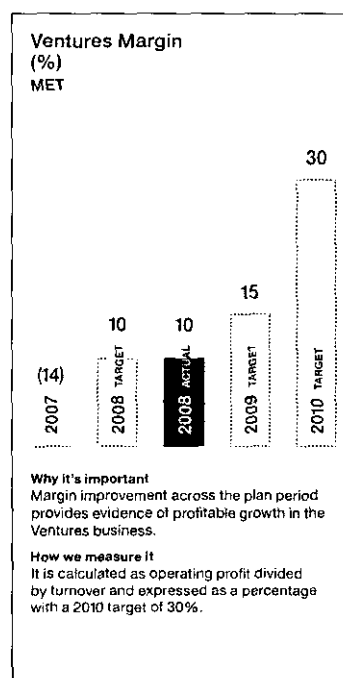
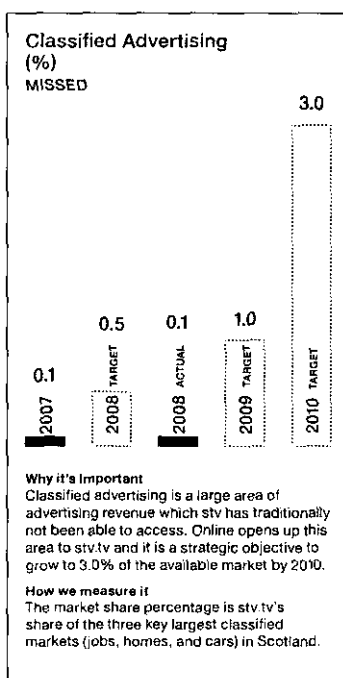
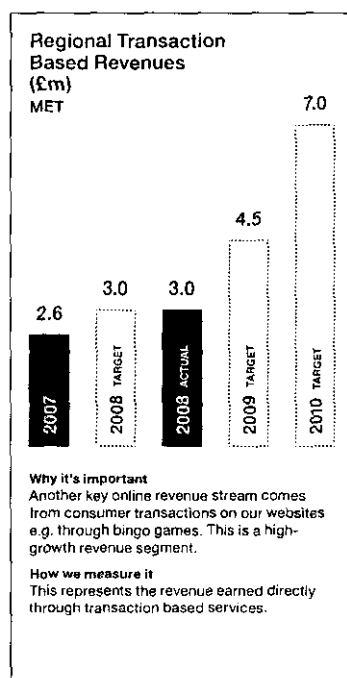
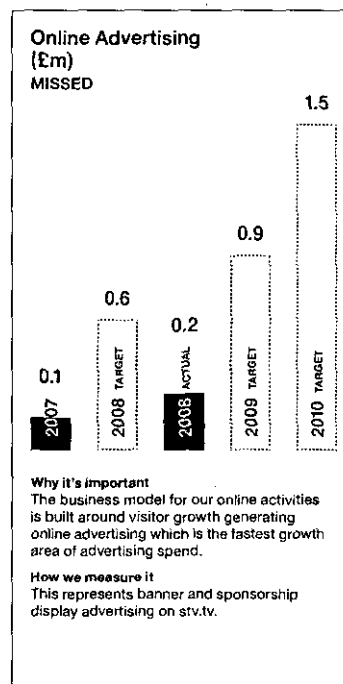
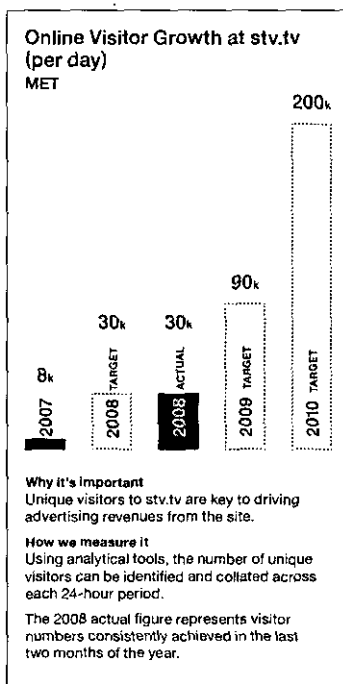
In February 2009, we introduced our classified advertising business, appointing a Head of Classified and launching www.stvjobs.com. With the investment in a strong new media team and our website, we are now in a position to develop a growing online classified business, incorporating a comprehensive jobs platform, with additional platforms to be rolled out during the year. *stvjobs.com has the strength of the stv brand behind it*, an experienced team with a proven track record and a multi-million pound media campaign, which will help make it a major player in its field and achieve 3% of the Scottish classified market by 2010.

We achieved £0.2m in online advertising, meaning we were £0.4m behind target. However, with the launch of our video site in the latter part of the year and continuing improvements to the website look and functionality, all encouraging increased visitor numbers, we anticipate bridging the revenue gap in 2009.

Our daily on-screen competition for viewers, *Watch To Win*, has shown a strong performance in 2008. By simplifying the competition, utilising key slots, refreshing the graphics and focusing on large cash prizes, Premium Rate Telephone Service ("PRTS") revenues are up 29% year-on-year against a 30% drop in network PRTS revenues. We achieved regional transaction revenues of £3.0m, keeping us on target with this KPI.

This year, we have refocused our Solutions business to a more nimble, freelance-based, profitable model with a reduction in fixed costs. In July, Solutions announced a new two-year deal with satellite sports broadcaster Setanta, which is a continuation of the partnership started in 2004. The deal provides Setanta with studio, transmission and post-production services from our headquarters in Glasgow.

Our post-production business is showing its highest ever revenues and profits and we successfully achieved our KPI target of a 10% margin for the division as a whole.



The Ventures business was established in 2007

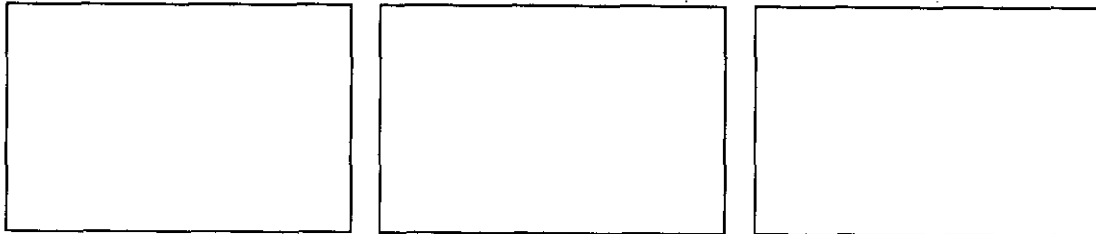
Non-Core Business

Pearl & Dean

Our cinema advertising business Pearl & Dean remains our only non-core legacy business. Pearl & Dean is a strong brand and we will continue to seek opportunities to sell the business.

In line with our target of growing market share, Pearl & Dean won an important contract with Showcase commencing in October 2008, increasing its cinema advertising market share by one third to 34%.

The loss-making contract we hold with Vue will expire in 2010.



The Future

stv is committed to being a public service broadcaster, serving Scotland as part of a strong Channel 3 Network. There is no doubt that the marketplace is challenging but stv is a restructured, financially sound business with positive momentum and a clear and focused strategy as Scotland's broadcaster of choice.

stv has a strong brand and this year we will rejuvenate our on-screen appearance at the same time as we revitalise our schedule showcasing more Scottish content.

With our debt at a normal sustainable level, a revitalised content team, energised staff and a successful sales team, we go into 2009 confident that there is a key role for stv in the future digital broadcasting landscape.

We are in a robust position going forward and we will continue to do everything we can to manage through this unprecedented economic downturn and deliver value for shareholders.

**stv is listed in
the FTSE4Good
index series as a
low-impact company.**



stv is committed to acting responsibly to its people, communities, advertisers and audiences.

stv is recognised in the FTSE4Good Index Series, which is a body set up to measure the performance of companies that meet standards in Corporate Social Responsibility.

Our People

During 2008 the contribution of our people has successfully strengthened our relationship with audiences and advertisers through their drive, energy, creativity and innovation.

Our culture is based on collaborative working, open communication, creativity and the belief that everyone can make a difference.

Significant organisational change has been undertaken restructuring the Television business to ensure that we have the organisation structure and the skills and capabilities to deliver growth within the business.

Our Content division is positioned at the heart of our business and through teamwork and collaborative working, across our broadcasting and ventures businesses, we effectively engage with our audiences and advertisers via multi-platforms.

Key appointments and the development of a strong skills base in new business areas have strengthened our ability to deliver growth and achieve our vision to be Scotland's Broadcaster of Choice.

Talent and Capability

Our ability to attract and develop the best creative talent is key to our people strategy. In addition to our core staff of 407, we have engaged over 580 freelance staff, contributing to a talented and vibrant freelance community and retention of a strong production sector in Scotland.

We have restructured our senior management team to reflect the business strategy and priorities for the future, making key appointments and strengthening the team.

Key appointments include Alan Clements as Director of Content and David Brook as Interim Director of Programmes and Marketing with Anmar Kawash becoming the Chief Operating Officer. Our Commercial Director, David Connolly, now sits within the leadership team highlighting the importance of our regional sales team.

The successful establishment of our digital strategy and growth of our online business, stv.tv, has created opportunities for new skills to be acquired and developed.

We have created 31 new roles in web development and digital content creation. We have also created opportunities to develop knowledge and strengthen technical skills and capabilities through bringing previously outsourced web development function in-house.

During 2008, we have provided 45 supported places for students and graduates including participation in the Hunter Leadership Programme, providing a work placement opportunity for a graduate of this esteemed programme.

Performance Management

Alignment of our people's contribution to our business goals and key performance indicator's (KPI's) is central to our people strategy and key to achievement of business objectives.

During 2008, we established a foundation for growth through establishing internal KPI's for each business unit. These KPI's are cascaded to an individual level through the assignment of performance goals and identification of development goals against which individual performance is assessed.

Additionally, the performance and delivery of our people is assessed against role specific technical competencies and behavioural competencies aligned to our people strategy.

We have introduced a new performance and talent management process, 'mystv', which will support the establishment of a performance-driven culture and continued focus on ensuring that our people are maximising their performance and realising their potential; achieving personal and professional growth as the business growth is delivered.

Trust and integrity are essential to successfully engaging with our audiences. During 2008, editorial standards and compliance training have been delivered to employees within our production, news and content areas to ensure that we continue to achieve the highest standards of compliance and maintain our position as the trusted broadcaster of choice.

Communication and Engagement

Communication and engagement to secure the involvement of our people in implementing organisational change and delivering growth and developing a positive culture where everyone can make a difference are key to our success.

Building an open culture based on face-to-face communication is very important at stv. The leadership team attends the employee consultative forum, Open Forum, which is held every eight weeks and attended by representatives from across the business. We also hold regular staff briefing sessions to discuss the business performance and strategy, and to support all staff in becoming involved in achieving the growth of the business.

'Connect' is stv's employee intranet site and is a key internal communication channel. The site is updated daily with Company news and features, and encourages and provides staff with an opportunity to feedback.

'Making a Difference' is our internal electronic newsletter sent to employees every two weeks. This provides regular information on performance, news from across the business and encourages staff to contribute.

Effective consultation and engagement of staff and trade unions was key to achieving the extensive organisational restructuring completed in 2008 and the engagement and the buy-in of our people to the business strategy and vision.

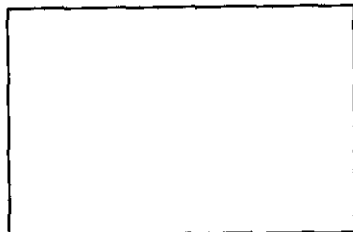
Reward and Recognition

The alignment of reward to business performance is the basis of our reward strategy. In 2008, a profit-sharing arrangement was included as part of our all-staff award providing the opportunity for staff to share in the success of the business. We have also introduced new incentive arrangements for our sales and commercial teams encouraging out-performance of targets and rewarding innovation and creativity to deliver the highest level of service to our advertisers.

Attracting and retaining the best creative talent is achieved through our reward and remuneration and career structure which is benchmarked against a range of UK media companies to ensure that we remain competitive and continue to motivate our people.

We have continued to improve our employee benefits and reward structure through the provision of new benefits. This has included the introduction of Childcare Vouchers, supporting our employees in achieving an effective work-life balance, and a healthcare scheme recognising the benefits of the health and welfare of our people on their performance and creativity.

Social Responsibility continued



Equal Opportunities and Diversity

We are committed to maintaining a working environment where all employees are treated with respect and dignity and realisation of their full potential can be achieved.

We continue to monitor our performance against our policies to ensure that our approach enables us to engage effectively with our audiences and ensure a diverse pool of creative talent is attracted to our business.

Applications are encouraged from disabled candidates (internally and externally) who meet the minimum criteria required for any vacancy. Candidates are requested to make us aware of any special arrangements they may require in order to participate in the selection process on account of a disability. Line manager training is provided to ensure that there is equal opportunity for all. During 2008, no employees became disabled during their employment.

During 2008, managers have been provided with coaching sessions to continue to raise awareness of our equal opportunities and diversity obligations.

Health and Safety

stv is committed to conducting its business in compliance with all workplace health and safety laws and regulations. We continue to strive to provide a safe and healthy working environment for our employees and anyone we work with.

We monitor employee ill health and accidents closely and we have proactively undertaken health promotion programmes designed to reduce health risk and enhance employee well-being.

We continue our proactive approach to improve the Company's management documentation systems to provide suitable and sufficient information, instruction, training and supervision. Through our participation in the Broadcasting Industry Safety Group we are working towards the introduction of a health and safety passport scheme for freelance staff to improve health and safety awareness and standards.

The Group has procedures in place for the management of occupational road risk which is monitored and reviewed on a regular basis. The number of accidents caused by driver error has reduced year-on-year to 12 (2007: 21, 2006: 28).

Health and Safety Performance in 2008

stv report work-related accidents, diseases and dangerous occurrences in compliance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulation 1995 ("RIDDOR").

	2008	2007
RIDDOR three-day reportable accidents*	-	-
Total of all accidents	6	19

*Accidents requiring three or more days off work.

Analysis of the causes of accidents provides valuable information for implementing improvements, if and when required, in working practices and procedures.

The Facilities Manager is the designated senior manager responsible for health and safety matters.

Our Communities

stv has strong community relations and across Scotland we engage with members of the local community and further afield. We regularly offer studio tours to schools, colleges, community groups and businesses.

In 2008, we supported the Summer Academy at Strathclyde University by running a workshop for students. Similarly, stv North has supported student placements from the Robert Gordon University in 2008, as well as accommodating visits from college and university students across the country. stv continues to engage with the Media Literacy Forum and is working closely with Digital UK to help facilitate digital switchover in our licence areas.



Once again we opened our doors to members of the public, providing tours of our studios at the Glasgow River Festival and Doors Open Day.

For the second year running, stv sponsored the ChildLine Annual World Footie Tournament in May. This gave Scottish five-a-side teams a fantastic opportunity to get involved and help raise funds for ChildLine's vital helpline for children. Our sports programme, Scotsport promoted the event in the lead up to the big day, and presenter Grant Stott was there to hand out trophies to the winners. We also filmed the final and made this available on our website.

stv's people give a lot of their time to raising money for their chosen charities. stv's match funding initiative, Charity Challenge, supports staff taking part in charity and fundraising events by matching their donations.

We are members of the Chamber of Commerce, SCDI and CBI, and we also engage with industry groups throughout the year including the Scottish Industries Summit Group, PACT, RTS and the Press Fund Charity.

In 2008, stv continued its relationship with Glasgow's Tron Theatre, the Assembly Rooms in Edinburgh and the RSNO, highlighting our commitment to the arts in Scotland.

Presenter of stv's *five thirty show*, Stephen Jardine, launched his *Eating for Scotland* campaign on Burns Day 2008, with a promise to eat only Scottish produce until St Andrew's Day. What started out as a feature on the show, grew into an initiative which was taken on and supported by the Scottish Government and has seen businesses across Scotland engage with stv and devise their own *Eating for Scotland* campaigns. stv staff supported the campaign and in May staff across our offices took part in *Eating for Scotland* week.

Our Advertisers

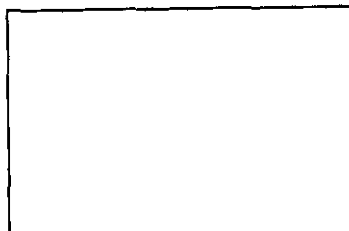
In 2008, stv offered a range of one-minute programmes, presenting ad-funded opportunities for different groups. Categories of programming included business ideas for entrepreneurs, architecture and design, organ donation, big-hearted Scots and the work they do in the community, and environmental matters. These one-minute programmes provide commercial opportunities for the business whilst offering exposure to lesser-known minority groups or topics on a national television platform.

Earlier this year, stv joined forces with Scottish milk brand *White & Wild* and *Tree Appeal* to help promote a greener Scotland. For every 50 two-litre bottles of the milk ordered by stv, *White & Wild* will plant a tree. stv's weather man Sean Batty helped plant stv's first tree at St Patrick's Primary school in Glasgow, assisted by the school children.

In December stv supported the Scottish National Blood Transfusion Service's (SNBTS) Give Blood 2009 campaign. stv's distinctive blue logo changed colour to red for one day to appeal to viewers to give blood over the New Year and festive period.

Stephen Jardine, presenter of stv's *the five thirty show*, fronted an on-air promo to encourage viewers to get behind the campaign, and a new micro-site on stv.tv, offered useful information about SNBTS. The Give Blood campaign was further supported with two on-air commercials.

stv joined forces with White & Wild and Tree Appeal to help promote a greener Scotland.



Our Viewers

Our viewers are of paramount importance to us and we continue to engage with them and welcome their feedback on our output. We offer a clear, immediate and direct route for viewers to feedback to us via our *Your View* service, which allows viewers to get in touch via phone, email and online. We also broadcast on-air announcements directing viewers to the *Your View* webpage. stv's video site is growing in popularity, with more and more viewers watching online. The site allows viewers to offer their feedback via the comments sections online, giving us immediate and valuable feedback.

stv has a vigilant compliance process and dedicated announcers, ensuring all of our programming is clearly signposted and that the content is clear, enabling viewers to make informed decisions about what they watch.

Content is available 24/7 on stv.tv. This means that programming broadcast on stv after the 9pm watershed will be available as part of the catch-up service at any time. Where there was an on-air warning given with the original transmission we indicate this online with a "G" and give a short explanation as to the reason for guidance. There is also an option online to restrict access to content.

In 2008, we commissioned market research projects to ensure we are in touch with our viewers. Using ITV Vision panel, focus groups and George Street Research, we gained feedback on our programming, presenters, competitions, online and brand measures. We have also conducted a usability study for stv.tv and stv.tv/video.

Charitable Donations

During the year the Company made charitable donations of £15,000 (2007: £29,000).

The Company's policy is not to make donations which are of a political nature.

The Environment

stv has an environmental policy in place and we actively seek ways to improve our performance where we have an impact on the environment. We recognise that our day-to-day activities can, and do have an effect on the environment. We work hard to minimise any damage we do whenever and wherever practical, while receiving business benefits from the protection of the environment. We are committed to continuously improving our environmental performance and to reducing pollution. We view environmental regulations, laws and codes of practice as the minimum standards for us to meet and beat.

Principles

Our environment principles outline our commitment to improving our performance:

- Only use environmentally safe and sustainable energy sources to meet our needs wherever possible;
- Conserve resources and save energy through their efficient use and careful planning;
- Recycle material wherever possible;
- Minimise waste, especially hazardous waste, and dispose of it through safe and responsible methods;
- Work with suppliers to ensure they recognise and reduce the impact of their products and transportation on the environment;
- Engage and involve staff fully in our environmental efforts;
- Set targets and goals designed to improve our environmental performance;
- Through the development of a Green Transport Plan realise the dual benefits of reduced fuel consumption and lower exhaust emissions;
- At least every year, check our performance in putting these principles into practice and in complying with all applicable laws and regulations.

This policy applies to all staff and all sites. stv is listed in the FTSE4Good Index Series as a low-impact company.

Resource Usage and Waste Management

During 2008 we continued to raise staff awareness and encourage participation in our recycling schemes through the use of the intranet, email and posters. We continued to recycle paper, cans, plastics and glass at our premises which resulted in 44% of our Group waste being recycled, an increase of 7% from 2007.

stv donates toner cartridges and redundant mobile phones to various charities throughout the UK, who benefit financially from this initiative.

stv has implemented a Green Travel Plan at our Glasgow headquarters through which we encourage staff to use more sustainable means of transport to get to and from work. To promote cycling we provide shower facilities, cycle parking and lockers for employee use.

We also manage a Car Sharing initiative where we match up employees living in the same area, enabling them to travel to work together and we will continue to promote this throughout 2009.

We actively monitor stv emissions and always seek to reduce these. In 2008, our transport CO₂ emissions were reduced by 27% from the previous year and our energy CO₂ emissions by 11%.

In 2008, stv worked with energy consultants McKinnon and Clarke, who highlighted ways in which we could reduce our water consumption and this has resulted in a massive 71% reduction at our Glasgow headquarters. We will continue to take advice from the Carbon Trust on our energy use and promote any recycling/environmental schemes throughout the business in 2009.

Rob Woodward
Chief Executive Officer



Operating margins increased across television due to significant cost savings being achieved.

The continuing positive impacts from the Group's restructuring were seen clearly in the financial results for the year. Our stable financial position is evident with a £75.0m bank facility secured to December 2012. The disposal of Virgin Radio in June 2008 for gross proceeds of £53.2m enabled both a return to shareholders of £30.0m and further debt paydown to occur.

The actions taken to turnaround the television business resulted in significant margin improvement, despite tough advertising markets and the impact of CRR on national airtime revenues. Combined with lower interest charges as debt levels have reduced this led to profit before tax, before exceptional items and the benefit under IFRS 5 from not depreciating assets held for sale, increasing by £7.9m to £12.3m (2007: £4.4m). This was the same underlying basis reported in 2007.

We are also highlighting our profit before tax, before exceptional items, IFRS 5 and IAS 19 notional non-cash interest in 2008. This is to reflect a measure that is more reflective of the cash profit in the business. On this basis, profit before tax increased to £10.4m (2007: £1.6m) an increase of 550%.

We continue to seek out further cost savings across the Group as we ensure we are as well positioned as possible for a very difficult 2009 financial year given the current macro economic outlook.

Revenue

Total revenue, which comprises both continuing and discontinued activities, was down £40.7m at £144.5m (2007: £185.3m). This reflected the disposals of Primesight and Virgin Radio and, adjusting for these, revenues were down £9.1m or 5%. A key feature of the year has been

the strong regional sales performance in Broadcasting – up 11% – although this was offset by a fall in national revenues resulting in an overall decline of 7%. Content revenues fell by 11% to £16.1m (2007: £18.1m) as the change in mix of programmes delivered resulted in lower values per hour. In Ventures, new media revenues grew 15% while the exit from Outside Broadcasting led to the division's overall revenues being down 12%. Pearl & Dean saw broadly flat revenues of £22.0m (2007: £22.1m) due to a very weak cinema advertising market being offset by the impact from the new Showcase contract.

Operating Profit

Group operating profit, which comprises both continuing and discontinued activities before exceptional items and IFRS 5, fell by £2.2m to £14.2m (2007: £16.4m) due mainly to the disposals. Adjusting for these, operating profit increased by 27% to £13.2m (2007: £10.4m).

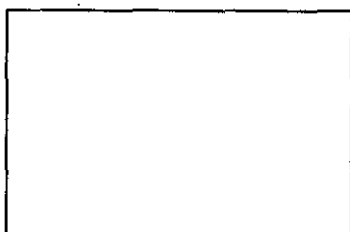
Television operating profits increased by £2.1m to £13.2m (2007: £11.1m) as cost savings, mainly in Broadcasting, and performance improvements, particularly in Ventures, resulted in significant margin improvements. Broadcasting margins increased by 160 basis points to 11% while Ventures turned around the losses of £1.0m in 2007 to a profit of £0.6m in 2008.

Virgin Radio profits were included for the six-month period to its sale completion date of 30 June 2008. It contributed £1.0m (2007: £4.3m) on a pre IFRS 5 basis, reflecting a 17% sales decline and the result only covering six months.

Pearl & Dean's result of breakeven (2007: £0.7m loss) is stated after the utilisation of £8.0m (2007: £3.5m) of the onerous Vue contract provision established last year.

Interest Costs

Net interest expenses decreased by £10.1m to £1.9m (2007: £12.0m) due to significantly lower average debt levels following asset disposals and the 2007 rights issue.



This was partly offset by the IAS 19 notional non-cash interest credit reducing by £0.9m to £1.9m (2007: £2.8m). The IAS 19 notional non-cash interest credit is anticipated to become a non-cash charge in 2009 due to the higher pension deficit at the 2008 year end and increased corporate bond yields.

Exceptional Items

As expected, following the significant restructuring activity last year, there were fewer exceptional items in 2008 which resulted in a lower net charge of £38.9m (2007: £91.9m). The charge represents the loss on the disposal of Virgin Radio (£17.5m), an increase in the onerous contract provision related to the Vue cinema advertising contract (£15.0m), the write off of the remaining carrying values of PeoplesChampion.com and Smartycars.com (£1.3m), network stock writedowns (£2.0m) and an onerous lease provision charge for the excess space at our Pacific Quay, Glasgow property (£3.1m) which resulted from headcount reductions.

The statutory loss for the year after tax and exceptional items and including IFRS 5 benefits amounted to £27.4m (2007: £84.6m).

Earnings Per Share

EPS, pre-exceptional items and IFRS 5 impacts, increased by 6% to 24.8p (2007: 23.4p). The effective tax rate in both years was 10%, benefiting from the release of prior year tax provisions.

EPS before exceptional items, IFRS 5 and IAS 19 notional interest amounted to 20.9p (2007: 8.5p)

EPS on a statutory basis, including exceptional items and IFRS 5 benefits, was a loss of 61.3p (2007: 499.4p loss). The IFRS 5 benefit through not depreciating assets which are held for sale amounted to £0.5m (2007: £3.7m), reducing due to the completion of the sales of Primesight in October 2007 and Virgin Radio in June 2008.

Balance Sheet

The principal balance sheet movements in 2008 were the disposal of Virgin Radio, the £30.0m return to shareholders and an increase in the Group's pension deficit.

The latter increased on an IAS 19 basis to £27.0m (2007: £9.1m) reflecting the significant falls in asset values across the year. There have been no changes made to mortality assumptions since last year and the next formal actuarial valuation will be prepared as at 1 January 2009. The Group continues to make all payments required under the Schedule of Contributions agreed with the trustees in January 2007 following the 1 January 2006 valuation which sets out a ten-year deficit funding recovery pattern.

Cash flow

Net debt reduced by £10.7m to £36.4m (2007: £47.1m) following the sale of Virgin Radio partly offset by the £30.0m return to shareholders.

Free cash flow conversion was at 80% for the continuing business in 2008 (2007: 130%) with a build up in Network and Content division stocks resulting in the percentage being below the 100% target. Other significant cash items in the year related to the cash losses of Pearl & Dean (£8.0m), pension deficit payments (£3.9m), reorganisation costs (£3.3m) and a corporation tax repayment (£1.9m).

Capital expenditure at £1.3m (2007: £2.7m) was at the low levels anticipated after significant levels of investment in prior years. We expect these lower levels to continue in 2009.

Dividends

The Board has stated in previous periods that no dividends will be declared for 2008 and that dividends will only recommence when there is sustained evidence of the success of the Group's growth plan – a position we will revisit during 2009.

Principal Activities

The principal activities of the Group are currently in the production and broadcasting of television programmes, the sale of advertising airtime and space in these media and in cinema and internet services. The Group continues to focus upon its television and new media business.

Shares and other interests

As at 26 February 2009, the Company had been notified of the following interests of 3% or more in its ordinary shares:

	Total Shares	%
UBS Global Asset Mgt	7,963,425	22.11
Fidelity International (UK)	5,168,559	14.35
Hanover Investors Partners	3,803,825	10.56
Granada Media plc	2,650,961	7.36
Artemis Investment Mgt	2,189,900	6.08
D C Thomson	1,839,946	5.11
Murray International Holdings Ltd	1,465,383	4.07
Legal & General Inv Mgt	1,405,163	3.90
SG Asset Mgt	1,089,581	3.03

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of the affairs of the Company and the Group and the profit and loss of the Group for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB.
- Prepare the financial statements on the going concern basis.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the applicable company law, and as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group as well as taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the website. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that to the best of their knowledge the Annual Report includes a fair review of the development and performance of the Group's business during 2008 and of the position of the Group at the end of 2008.

Suppliers

Creditor payment policy

The Company's policy is to settle the terms of payment with suppliers when agreeing terms of payment by inclusion of the relevant terms in contracts; and to pay in accordance with its contractual and other legal obligations. Trade creditors of the Company at 31 December 2008 were equivalent to 45 days of purchases (2007: 45 days).

Compliance

Part of the information that fulfils the Companies Act requirements of the Business Review can be found on pages 2 to 31. The Group's principal operating subsidiaries are listed in note 2 to the Company's financial statements and details of the principal risks and uncertainties facing the Company can be found on pages 30 and 31.

Auditors and disclosure of information

So far as the directors are aware there is no relevant audit information (that is information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are not aware. Each director has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on a going concern basis. In reaching this conclusion the FRC guidance issued in November 2008 has been considered.

Risks and Uncertainties

Like most businesses, stv group plc is exposed to a number of risks which could have an impact on our operating results, financial condition and prospects. We have rigorous internal systems to identify, monitor and manage any risks to the business.

Regulatory environment

Our television business is operated under licences, regulated by Ofcom, which extend until 2014. These licences contain conditions relating to such issues as regional television programme production and matters of taste and decency. It is the responsibility of the executive named on each television licence to ensure that the terms of these licences are adhered to and they put measures in place internally to ensure that this occurs. However, it is possible that in certain circumstances these terms may be inadvertently breached and sanctions imposed by Ofcom. In the most serious of circumstances it is within the remit of Ofcom for licences to be withdrawn.

Dependence on advertising

stv's sales, expenses and operating results could vary from period to period as a result of a variety of factors, some of which are outside of stv's control. These factors include *general economic conditions, conditions specific to general advertising markets including the commercial television and the cinema markets, trends in sales, capital expenditure and other costs, and the introduction of new services and products by us or our competitors.* In response to an ever-changing operating and competitive environment, we may elect from time to time to make certain pricing, service or marketing decisions that could have a material adverse effect on sales, results of operations and financial conditions.

Performance of the ITV Network

stv is our core business and, as such, our fortunes are linked with those of the ITV Network as a whole. The programming provided by the ITV Network, its ability to attract and retain audiences and the advertising airtime sales performance of ITV's sales house – which is responsible for the sale of stv's UK national airtime to advertisers – are factors that affect the performance of stv and, therefore, the Group as a whole. This relationship is managed closely, with regular updates on programme and schedule developments being provided via ITV Council,

on which stv is represented, and through senior stv staff with responsibility to manage the sales relationship with ITV.

Pension scheme shortfalls

We believe that the stv pension schemes are reasonably well funded, and the investment strategy is calculated to reduce any market movement impacts. However, it is possible that the Group may be required to increase its contributions to cover an increase in the cost of funding future pension benefits or to cover funding shortfalls which could have an adverse impact on results and cash flow. This position is kept under regular review by the Board.

Financial

The overall financial position of stv may be constrained by our leverage and other debt arrangements. An increase in interest rates could have an adverse impact on our financial position and business results. We are exposed to a variety of financial risks that arise from and apply to our activities: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance. stv uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the Board with financial risks being identified, evaluated and hedged in close co-operation with the operating divisions. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

(a) Currency risk

stv operates almost wholly within the UK and is exposed to minimal foreign exchange risk. Foreign exchange risk arises primarily with respect to the Euro, US dollar and the Swiss franc. Foreign exchange risk arises from future commercial transactions and trade assets and liabilities in foreign currencies.

(b) Credit risk

stv has no significant concentration of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Derivative transaction counterparties are limited to high-credit-quality financial institutions.

(c) Liquidity risk

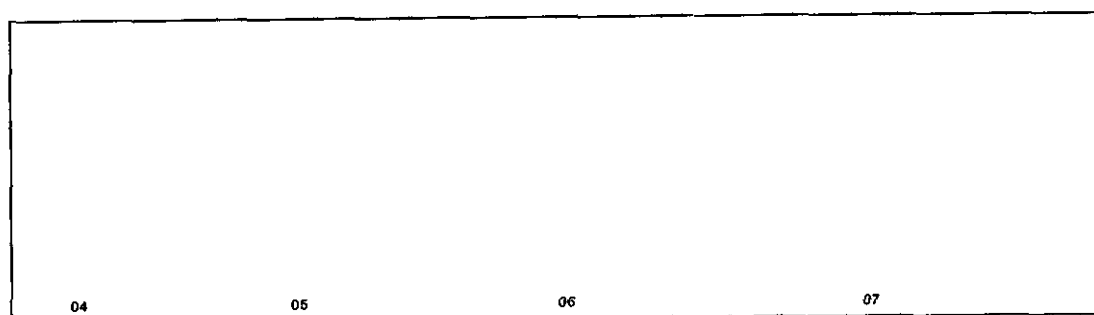
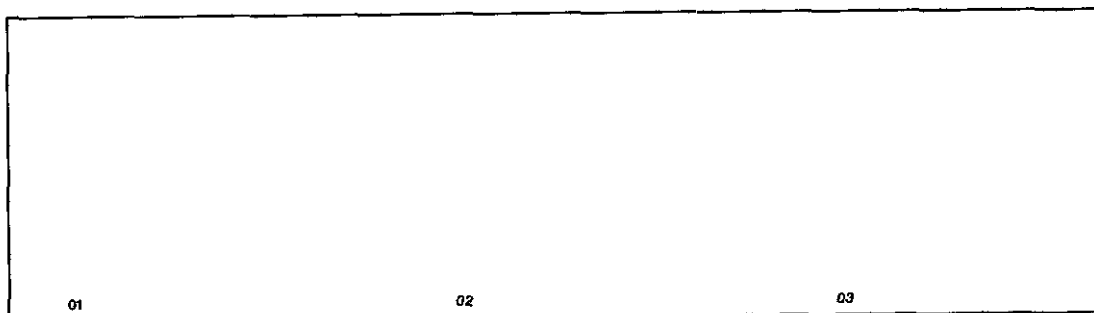
Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying business, the aim is to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow interest rate risk

stv has no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates.



Board of Directors



01 Richard Findlay (65) Chairman ³

Appointed to the Board in February 2007. Richard is the former Chief Executive of Scottish Radio Holdings plc, which he ran for 10 years, building it into a portfolio of 22 radio services and 45 regional newspapers, and consistently delivering to shareholders returns that outperformed peer companies. In August 2005, Scottish Radio Holdings plc was sold to EMAP plc. Richard has strong links in the Scottish arts and political establishments. He is the founding Chairman of the National Theatre for Scotland, a growing life sciences company and Chairman of the Royal Scottish Academy of Music & Drama Foundation. He has served on various boards including that of a leading law firm, a Scottish University and as chair of the Lothian NHS Board.

02 Rob Woodward (49) Chief Executive Officer

Appointed to the Board in February 2007. Previously, Rob was Commercial Director of Channel 4 Television Corporation and on the main board. He was formerly CEO of 4Ventures and achieved a dramatic turnaround of legacy businesses and built a set of successful new media and digital businesses. Rob was previously an MD of UBS Warburg and global COO of corporate finance in Media and Communications. Prior to this he was Managing Partner of Deloitte's European Telecoms Media and Technology business and UK strategy consulting practice.

03 George Watt (41) Chief Financial Officer

Appointed to the Board in February 2001 as Group Finance Director. George joined the Company in 1998 as Group Financial Controller and Treasurer. Prior to joining stv group plc, George worked with KPMG's audit and assurance services practice in the UK and also in the US. George is a Member of the Institute of Chartered Accountants in Scotland and an Executive Committee Member of the Scottish Council for Development and Industry.

04 David Shearer (49) Senior Independent Director ^{1,3}

Appointed to the Board in February 2007. David is an experienced corporate financier and was previously Senior Partner of Deloitte & Touche for Scotland and Northern Ireland and a UK Executive board member of Deloitte & Touche. He is Chairman of Crest Nicholson plc, Deputy Chairman of Aberdeen New Dawn Investment Trust plc, Senior Independent Director of Renold plc and Superglass Holdings plc and a non-executive director of Martin Currie Holdings Limited, Mithras Investment Trust plc and Scottish Financial Enterprise. He is also a Governor of the Glasgow School of Art and previously served one term ending in early 2007 as a non-executive director of HBOS plc.

05 Matthew Peacock (47) Non-Executive Director ³

Appointed to the Board in February 2007. Matthew is the founding partner of Hanover Investors. He has led investments for over 18 years in, amongst other sectors, manufacturing, outsourced business services, chemicals, financial services, textiles, logistics and media. Prior to this, he ran the international M&A team in London at BZW, having started his career at Credit Suisse First Boston in New York. He holds an LLM from Cambridge University. He is currently non-executive Chairman of both Renold plc and Fairpoint Group plc and is a non-executive director of Cosalt PLC.

06 Jamie Matheson (54) Non-Executive Director ^{1,2}

Appointed to the Board in March 2007. Jamie is Executive Chairman of Brewin Dolphin Holdings PLC, a leading private client investment manager and stockbroker. He was previously a non-executive director of Scottish Radio Holdings plc until its sale to EMAP plc, and is currently a non-executive director of Bluehoney AIM VCT2 plc.

07 Vasa Babic (42) Non-Executive Director ^{1,2}

Appointed to the Board in February 2007. Vasa is a Director of the Hanover Fund. Previously, he was Group Director of Business Integration at Vodafone plc, leading major global programmes of change and restructuring. Prior to that, he was a strategy consultant for 15 years in the London office of Mercer Management Consulting. He worked in a broad range of sectors, with a focus on telecoms, internet, media and technology industries. Vasa has an MA in Economics from King's College, Cambridge.

¹ Audit Committee

² Remuneration Committee

³ Nomination Committee

Lord Waheed Ali resigned as a non-executive director on 13 November 2008.

Corporate Governance

The Board is committed to maintaining the highest standards of corporate governance, financial reporting and business integrity and has structured its activities so as to incorporate the main principles of the UK's Combined Code, recognising these to be a sound statement of accepted good practice.

The directors consider that they complied with all sections of the Code for the year under review with the exception of provisions B.2.1 and C.3.1 in relation to the constitution of the Remuneration Committee and the Audit Committee respectively. While it is acknowledged that it would be preferable to have both these Committees constituted solely with independent non-executive directors, there are a limited number of directors to choose from and in the current economic climate it is not considered desirable to expend money on enlarging the Board merely to ensure we can achieve this. However, the intention is to become compliant over time.

This section, together with the report by the directors on remuneration, set out on pages 40 to 56, describes how, in respect of the financial year ended 31 December 2008, the Company has complied with the principles and provisions of the Combined Code on Corporate Governance.

The Board and its procedures

The membership of the Board throughout the year was as follows:

Chairman

Richard Findlay

Chief Executive Officer

Rob Woodward

Chief Financial Officer

George Watt

Non-executive directors

David Shearer (Senior Independent Director)

Matthew Peacock

Vasa Babic

Jamie Matheson

Lord Waheed Alli (resigned 13 November 2008)

The Board has considered the independence of the non-executive directors and has confirmed that while all the directors are considered to be of independent character, only Richard Findlay, David Shearer and Jamie Matheson would be considered independent as defined by the revised *Combined Code*. The wide ranging experience and backgrounds of all the non-executive directors ensure that they can debate and constructively challenge management in relation to the development of strategy and performance against the goals set by the Board.

The non-executive directors do not participate in any share option, performance-related pay scheme or pension scheme of the Company.

Attendance of Board members at Board and committee meetings is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held:	15	3	5	2
Number attended:				
Richard Findlay	14			2
David Shearer	13	3		2
Rob Woodward	15			
George Watt	15			
Matthew Peacock	12			2
Vasa Babic	15	3	5	
Jamie Matheson	12	3	4	
Waheed Alii (resigned 13/11/08)	4		2	

Lord Alii resigned on 13 November 2008 due to the pressure of other business commitments. Following this, the Nomination Committee has evaluated the balance of skills, knowledge and experience on the Board and prepared a description of the role and capabilities required for a replacement.

Non-executive directors are appointed for a specified period of three years and re-appointment is not automatic. Directors also stand for election by shareholders at the first AGM following their appointment and subsequently every three years. The report from the Nomination Committee contained in this section explains the process for selection of directors and succession planning. Copies of the letters of appointment for all non-executives will be available for inspection at the AGM.

Directors now have a statutory duty to avoid situations where they have or can have, an interest that conflicts or possibly may conflict with the interests of the Company. A director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other directors. The Company's Articles were amended at the AGM held on 16 May 2008 to include this authorisation and to date, there have been no such conflicts.

Corporate Governance *continued*

There is a well-established division of authority and responsibility at the most senior level within the Company through the separation of the roles of Chairman and Chief Executive Officer. The Senior Independent Director is available to shareholders for concerns which cannot be resolved by contact with the Chairman or Chief Executive Officer.

Directors and officers of the Company and its subsidiaries have the benefit of a directors' and officers' liability insurance policy. The Company's Articles of Association also provide that every director and other officer of the Company is to be indemnified out of the assets of the Company against any liability he incurs in defending any proceedings brought against him (provided that judgement is not given against him). All directors have access to the advice and service of the Company Secretary and, at the Company's expense, the Group's legal advisers. The Company Secretary is an employee of the Company and attends all meetings of the Board and its committees and is responsible for ensuring that all Board procedures are observed and for advising the Board on corporate governance matters.

The Board meets regularly, at least nine times a year, with additional meetings taking place as and when required. In addition, the Board has a one-day, off-site meeting at which the Group's general strategy is discussed. The Board has adopted a schedule of matters reserved for its decision, the principal matters being approval of:

- Financial statements and shareholder circulars; dividend policy; significant changes in accounting policies or practices.
- Board and committee appointments and terms of reference; and terms and conditions of non-executive and executive directors.
- The Group's long-term objectives and commercial strategy; annual operating and capital expenditure budgets.
- Material contracts and significant variations in terms of the Group's borrowing facilities.
- Corporate activity, which is subject to The City Code on Takeovers and Mergers or of a material nature.
- Major changes to the Group's pension schemes, share schemes, and treasury policy.
- Internal control and corporate governance arrangements and to act as a court of the last resort in relation to any investigations undertaken by the Audit Committee.

Board meetings involve reviews of financial and business performance against the plan and budgets approved by the Board, both at a Group and divisional level. The Board also receives regular presentations from the divisions, enabling it to explore specific issues and developments in more detail. Any matter requiring a decision by the Board is supported by a paper analysing all relevant aspects of the proposal including potential risks and proposed management action.

Throughout the year, the Company also had a Leadership Team, which included the executive directors, the Human Resources Director, the Chief Operating Officer and the managing directors of the Broadcasting, Content and Ventures divisions. The team was extended in November to include the Commercial Director and the Director of Programmes and Marketing. The Leadership Team meets weekly and ensures executive focus on group-wide performance and risk management.

The annual evaluation of the Board's own performance and that of its committees and individual directors was carried out in January. The aim of the process is to help the Board assess how well it has performed over the last year, to improve effectiveness for the future and provide an opportunity for the non-executive directors – through their exposure on other company boards – to draw on their experience and to suggest areas of best practice. It is also an opportunity for directors to raise any concerns about procedures and governance issues.

The evaluation was conducted using a detailed questionnaire and amongst the areas reviewed were Board composition, Board meetings and processes, Board performance, the performance of individual directors as well as the Board's communication both with external stakeholders and the Company's senior management. The performance evaluation questionnaire was followed by meetings of the full Board, the Chairman with the non-executive directors, and non-executive directors only. On completion of the evaluation process the directors have concluded that the Board is effective in meeting its objectives and fulfilling its duties and obligations. The directors are also satisfied that the Audit, Remuneration and Nomination Committees all carry out their respective delegated duties effectively and efficiently.

The Board is supported by the Nomination, Remuneration and Audit Committees. The report from the Nomination Committee is set out below and the report from the Audit Committee is contained within this report on page 38.

Remuneration Committee

The members of the Committee during the year were:

Vasa Babic (Chairman)
Jamie Matheson
Lord Waheed Alli (resigned 13/11/08)

The activities of the Remuneration Committee are described within the report by the directors on remuneration on pages 40 to 56.

The full terms of reference of the Remuneration Committee are available on request and on the Company's website www.stvplc.tv.

Report from the Nomination Committee

The members of the Committee during the year were:

Matthew Peacock (Chairman)
Richard Findlay
David Shearer

The Nomination Committee has written terms of reference, with its principal duties being to:

- Regularly review the structure, size and composition of the Board and evaluate the balance of skills, knowledge and experience.
- Regularly review plans for succession of executive and non-executive directors and make recommendations to the Board.
- Identify and nominate candidates for approval of the Board using, if appropriate, external recruitment and search advisers employing objective and industry-recognised selection criteria.
- Recommend to the Board membership of the Audit and Remuneration Committees, in consultation with the chairmen of those committees.

The full terms of reference of the Nomination Committee are available on request and on the Company's website www.stvplc.tv.

There is a formal and transparent procedure for the appointment of new directors to the Board. As part of the annual performance evaluation conducted by the Board a review is conducted of the Board's size, composition, diversity and balance of skills. The outcome of the review is used by the Committee to determine the selection criteria and role specification of non-executive directors. External selection consultants may be retained, if appropriate, to conduct searches and a shortlist will be created in consultation with the Committee and, where appropriate, the executive directors. The Committee reviews the profiles of candidates and conducts interviews prior to making recommendations to the Board for approval.

All directors are given a comprehensive introduction to the Group's various businesses and continuing development is provided through briefing sessions in the course of regular Board meetings, covering business specific and broader regulatory issues and including presentations from members of senior management.

Corporate Governance continued

Report from the Audit Committee

The members of the Committee during the year were:

David Shearer (Chairman)

Vasa Babic

Jamie Matheson

The Audit Committee, chaired by David Shearer, who has recent and relevant financial experience, is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the committee.

Amongst others, the duties of the Committee are to:

- Assist the Board in ensuring that the Company's published financial statements comply with statute and all applicable accounting standards and good practice.
- Review the effectiveness of the Company's internal financial controls and audit arrangements and investigate and advise on these or related matters which are referred to it or that it considers necessary.
- Review the Company's statement on internal control systems prior to endorsement by the Board.
- Consider the major findings of any internal investigations on control and management's response.
- Discuss with the Company's auditors, matters arising from their work (in the absence of management where necessary) and encourage and monitor compliance with relevant codes of best practice in corporate governance.
- Keep under review the scope and results of the annual audit, its cost-effectiveness and the independence and objectivity of the auditors.
- Consider the appointment of the external auditors, the audit fee, their independence and objectivity and any matters relating to the resignation or dismissal of the external auditors.
- Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The full terms of reference of the Audit Committee are available on request and on the Company's website www.stvplc.tv.

Meetings of the Committee are normally attended by the Chief Executive Officer, Chief Financial Officer and representatives of the external auditors. The Committee also meets separately with senior management and the external auditors.

The Audit Committee and Board place great emphasis on the objectivity of the Group's auditors PricewaterhouseCoopers LLP in their reporting. The audit partner and manager attend Audit Committee meetings to ensure full communication of matters relating to the audit. The auditors have confirmed to the Committee that in relation to their services to the Company they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their objectivity is not compromised.

The Audit Committee monitors fees paid to the auditors for non-audit work and during the year under review, the non-audit work consisted of advice in connection with (i) the disposal of Virgin Radio; and (ii) the Tender Offer. The Committee believes that it is cost effective and therefore in the best interests of shareholders for the auditors to carry out these services and that the nature of such work does not impair the independence and objectivity of the auditors.

A policy has been put in place to provide that before the auditors carry out any non-audit work, the approval of either the Chairman of the Audit Committee or another Committee member must be given. An explanation as to why there is a preference for using the auditor is also required and it is felt that this process ensures that shareholders receive value for money.

During the year the Committee reviewed the Company's interim and full year results prior to publication as well as the Group's risk management procedures and risk register, incorporating relevant, social, ethical and environmental risks. Following the retirement of the Company's Internal Auditor, the Audit Committee has had this under review for the past year and a decision was taken at the end of 2008 that the Internal Audit function would be put out to tender to a third party independent firm. Although the Board considers the appointment of an Internal Auditor to be in support of the principles of good corporate governance and that such a function would enhance the current internal controls processes, it believes that the system of internal controls presently in place, which includes a full-time Compliance Manager, are sufficient until such an appointment is made.

A resolution to re-appoint the auditors will be put before the shareholders at the Annual General Meeting.

Internal control and control environment

The directors of stv group plc have overall responsibility for establishing and maintaining an adequate system of internal controls and for reviewing the effectiveness of the system. The system of internal control is designed to manage rather than eliminate risk and in pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

The following key controls are in place:

- A comprehensive financial review cycle, which includes annual budgeting approved by the Board, monthly reporting of trading results for review and, where necessary, corrective action as well as detailed and regular reforecasting.
- Defined organisational structures with appropriate delegation of authority.
- Regular reviews of key performance indicators and business risks and consequent steps to manage any matters arising.
- Provision to the Board and management of relevant, accurate, timely information based on comprehensive management information systems, which are continually being improved and updated.

The Company has in place a formal procedure by which staff can, in confidence, raise concerns about possible improprieties in financial and other matters. The Audit Committee has reviewed and approved this procedure. No such concerns were raised by staff during the year.

An extensive process in relation to risk management was carried out during 2008. Although a formal risk review process is carried out on an annual basis it was felt that due to the changing structure of the Group, a fresh approach was needed. A workshop organised by Ernst & Young (Risk Advisory Services) and attended by the Leadership Team (consisting of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Human Resources Director and each of the Directors of Broadcasting, Ventures and Content) together with the Company Secretary, discussed and rated the main risks facing the Group. The process culminated in the production of a comprehensive register with identified risks being linked to key business objectives and divisional KPIs and with both inherent and residual risk profiled. This risk register is intended to be a working document and will be regularly reviewed and updated. A quarterly report will be given to the Board advising of any changes to the register.

The process is vital to ensure that an appropriate risk framework is operating effectively across the Group; embedding a risk culture throughout the Group; and providing the Board and Audit Committee with an overall view of the Group's risk profile, identifying any major exposures and mitigating actions.

The risk management framework and internal controls system across the Group, which is subject to continuous development, provides the basis on which the Company has complied with the Combined Code provisions on internal control. The Board considers that the Group has an established system of internal control which the directors believe to be appropriate to the business.

Relationship with shareholders

The Chairman is available to meet with major shareholders as required with the Senior Independent Director and all other non-executive directors available for meetings on request. Communication with major shareholders, analysts and the financial press is maintained throughout the year with, in addition, detailed presentations made at the time of the interim and full year results. Feedback from major shareholders is regularly sought and reviewed by the Board.

Detailed reviews of the performance and financial position of each division are included in the Chairman's statement, the Chief Executive Officer's and Chief Financial Officer's reviews, which the Board uses to present a balanced and understandable assessment of the Group's position and prospects. Such communication is designed to establish a mutual understanding of objectives. In addition, the Group has an electronic communication facility to allow shareholders to receive information more quickly and in a manner more convenient for them. The Board also welcomes and encourages the participation of all shareholders at the Company's AGM.

Remuneration Committee Report

This report has been prepared in accordance with The Directors' Remuneration Report Regulations 2002, (the "Regulations"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles and complied with the provisions of the revised Combined Code (the "Code") on Corporate Governance relating to directors' remuneration. As required by the Regulations, an advisory resolution to approve the report will be proposed at the AGM of the Company at which the financial statements will be approved.

The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report is therefore divided into separate sections for audited and unaudited information.

Part 2 of the Regulations – Unaudited Information Remuneration Committee

The directors who were members of the Remuneration Committee during the year are shown on page 37 in the section on Corporate Governance.

The responsibility for the establishment of a remuneration policy and its cost is a matter for the full Board, on the advice of the Remuneration Committee. The recommendations of the Remuneration Committee have been approved without amendment by the Board for submission to shareholders.

The Remuneration Committee is responsible for developing policy on remuneration for executive directors and senior management and for determining specific remuneration packages for each of the executive directors. The Remuneration Committee members have no personal financial interest other than as shareholders in matters to be decided, no potential conflicts of interests arising from cross directorships and no day-to-day involvement in running the business.

During the period under review, the Remuneration Committee sought the assistance of the Chairman and Chief Executive Officer on matters relating to directors' performance and remuneration. The Chairman, Chief Executive Officer and the Human Resources Director, attend meetings by invitation except when their individual remuneration arrangements are discussed. No director takes part in discussions relating to their own remuneration and benefits. The Remuneration Committee appointed and received wholly independent advice on executive compensation and associated share scheme administration from Halliwell Consulting. No other services were provided to the Company by Halliwell Consulting during the year.

The Remuneration Committee is formally constituted with written terms of reference with the full remit of the committee role described. A copy of the terms of reference is available to shareholders on request by writing to the Company Secretary whose contact details are set out on page 103 of the Annual Report and on the Company's website, www.stvplc.tv.

Philosophy behind Remuneration Committee's Approach

The policy is designed to encourage, reward and retain the executives and the Remuneration Committee believes that shareholders' interests are best served by remuneration packages which have a large emphasis on performance-related pay. Emphasis on performance should encourage executives to focus on delivering the business strategy and by providing meaningful incentives to executives ensure that the appropriate balance between fixed and performance-related pay is maintained.

Remuneration Policy 2008

The Remuneration Committee's policy during the year (approved by shareholders at the Extraordinary General Meeting in June 2007) was to set the main elements of the remuneration package at the following quartiles in comparison to the Company's Comparator Group:

Base Salary	Annual Bonus Potential	Pension	Benefits In Kind	Potential Total Short-Term Remuneration	Potential Annual Share Awards	Potential Total Compensation Value
Median to upper quartile	Median to upper quartile	Median	Market practice	Median to upper quartile	Upper quartile	Median to upper quartile
	Maximum bonus payouts are only earned by executives for achieving upper quartile performance.			The remuneration package will provide lower quartile total short-term remuneration unless bonus payments are earned by executives. Maximum bonus payments will only be earned for upper quartile performance.	The remuneration package will only provide a lower quartile total compensation value unless executives earn their bonus payouts and satisfy the performance conditions attached to their share incentives. Maximum bonus and share incentive payments will only occur for upper quartile performance.	

Remuneration Committee Report continued

Every year, the Remuneration Committee reviews whether its remuneration policy remains appropriate for the relevant financial year. Factors taken into account by the Remuneration Committee include:

- market conditions affecting the Company;
- the recruitment market in the Company's sector;
- changing market practice; and
- changing views of institutional shareholders and their representative bodies.

As part of the general review, the Committee specifically considered how the stv group plc Annual Bonus Scheme would be operated during 2008. Following the review the Committee concluded that:

- for awards made in respect of 2008, the maximum bonus would be increased from 100% to 150% of salary;
- half of the award would be paid in cash at the end of the year and half would be paid in the Company's shares (based on the share price at market close on 31 December 2008) and deferred for 12 months;
- the individual maximum Annual Bonus will be 125% of salary in 2009.

2008/2009

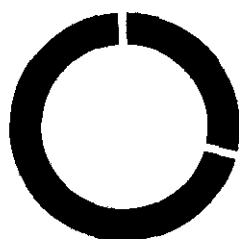
The following companies make up the Comparator Group used for benchmarking in 2008* and 2009.

Bloomsbury Publishing Plc	ITV plc
Centaur Media PLC	Johnston Press PLC
Chrysalis Group PLC	Mecom Group PLC
Daily Mail & General Trust	Pinewood Shepperton Plc
Entertainment Rights Plc	RDF Media
Eros International PLC	Trinity Mirror Plc
Euromoney Institutional Investor Plc	United Business Media PLC
Future PLC	Wilmington Group Plc
Informa plc	

*Emap PLC and GCap Media PLC were in the original group for 2008 and were removed following their respective takeovers.

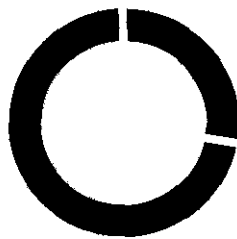
The chart below demonstrates the balance between fixed and variable performance-based compensation for each executive director for the year ended 31 December 2008:

R Woodward



68% Performance Compensation
32% Fixed Compensation

G Watt



71% Performance Compensation
29% Fixed Compensation

Key

Fixed Compensation is calculated as:

- Salary
- Benefits

Performance Compensation is calculated as:

- Bonus available
- Fair Market Value of LTIP and Share Option awards on grant

Elements of Executive Directors' Remuneration

Basic Salary

Policy 2008 & 2009: Median to Upper Quartile

For 2009 the Committee has applied the criteria set out below to determine the salaries payable:

Name	2008 Salary	2009 Salary	Rise	Median Rise in CG
Rob Woodward				
Chief Executive Officer	£380,000	£380,000	0%	5.0%
Upper Quartile	£563,000	£633,000		
Median	£390,000	£438,000		
George Watt				
Chief Financial Officer	£214,200	£214,200	0%	4.6%
Upper Quartile	£350,000	£393,000		
Median	£219,000	£246,000		

References to quartiles are to quartiles in the Comparator Group.

During 2008 the executive directors waived a 3% performance-related basic salary increase and have also waived receipt of any increase to basic salary in 2009. As a result, basic salary levels have not been increased for two years.

When determining the salary of the executives the Committee takes into consideration:

- the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity, in particular the median and upper quartile salary levels of those comparable companies within the media sector and the Comparator Group;
- the performance of the individual executive director;
- the individual executive director's experience and responsibilities; and
- pay and conditions throughout the Company.

Remuneration Committee Report continued

Annual Performance-Related Bonus

Policy 2008 & 2009: Median to Upper Quartile Bonus Potential

Bonus payments are not pensionable. The following tables summarise the main features of the Company's executive bonus plan.

Bonus	Rob Woodward	George Watt
Maximum Annual Bonus Potential (%age of Salary)		
Company	150%	150%
Upper Quartile	103%	100%
Median	100%	100%
2008 Bonus Paid		
Actual bonus paid in cash	£114,000	£64,260
Actual bonus deferred in shares for 12 months	£114,000	£64,260
Total bonus % of salary	60%	60%
Median Bonus Payments in the Comparator Group as a %age of Salary	63%	81%
Maximum Bonus Potential for 2009	125%	125%

References to quartiles are to quartiles in the Comparator Group.

The bonuses for 2008 have been paid on the basis of the level of the satisfaction of the performance targets relating to financial performance measures (Group PBT; Television business Operating Profit and EPS) and personal objectives.

The targets for the annual bonus plan are reviewed and agreed by the Remuneration Committee at the beginning of each financial year to ensure that they are appropriate to the current market conditions and position of the Company in order to ensure that they continue to remain challenging.

2009 Performance Conditions

After reviewing the bonus targets the Remuneration Committee has decided that the performance conditions for the executive bonus plan in 2009 will be based on the same criteria as applied during 2008.

Share Incentives

Policy 2008 & 2009: Upper Quartile

The Remuneration Committee's policy is to provide annual share grants to executives at the upper quartile level compared to the Comparator Group. Share incentives, excluding all employee plans, are provided to the executives solely through "The stv group plc 2005 Executive Long-Term Incentive Plan" (the "LTIP"). No further grants will be made under any other discretionary share plan.

The Remuneration Committee believes that share awards under the LTIP enable the Company to provide a competitive incentive and retention tool which is also cost effective in respect of both shareholder dilution and P&L cost.

2008 Performance Conditions

The 2008 LTIP Grants were structured as follows:

- 50% of awards to be based on a comparative Total Shareholder Return (TSR) performance condition; and
- 50% of awards to be based subject to Return on Capital Employed (ROCE) performance targets.

Total Shareholder Return (TSR)

The TSR of the Company is compared against a Comparator Group of companies at the end of the three-year holding period and this part of the award will vest in line with the following table:

Comparator TSR Group	
Quartile	%age of Award
<Median	0%
Median	25%*
Upper Quartile	100%*

*Straight-line release between points

Return on Capital Employed (ROCE)

The average annual ROCE performance of the Company will be measured over the three-year holding period and this part of the award will vest in line with the following table:

Average Annual ROCE Performance	
Group ROCE	%age of Award
<10%	0%
10%	10%
15%	50%
20%	100%

After reviewing the share incentives, the Remuneration Committee has approved the grant of an award in 2009 through "The stv group plc 2005 Executive Long-Term Incentive Plan (the "LTIP")".

Remuneration Committee Report continued

Basis of Performance Condition Selection and Measurement

The Remuneration Committee took the following factors into account when deciding the appropriate ROCE performance condition for the 2008 awards:

- the median and upper quartile historic levels of ROCE for the Comparator Group companies; and
- the projected ROCE for the Company provided by external analysts.

It is the view of the Committee that ROCE is an appropriate performance condition for part of the awards granted under the LTIP because:

- it is one of the key investment criteria used throughout the business and a consistent return enhances shareholder value over the medium to longer term;
- ROCE measures consistent value creation and is, therefore, a particularly valuable measure in a highly cyclical business; and
- ROCE is a measure well understood by the executive team and something that they can directly influence.

Comparative TSR is viewed as an appropriate performance condition for part of the awards to be granted by the Remuneration Committee as it ensures that the executives have outperformed their peers over the measurement period in delivering shareholder value before being entitled to receive any of their awards irrespective of general market conditions. In terms of the Comparator Group, the Board believes it is appropriate to make part of the award conditional on the Company's performance compared to a wider group of companies from the Media Sector. Prior to release the Remuneration Committee will also ensure that the underlying financial performance of the Company is consistent with its TSR performance. The Remuneration Committee will provide a full explanation and justification at the time of the release of the element of the award subject to TSR and why it believes that the underlying financial performance of the Company is consistent with this TSR performance.

The Remuneration Committee determines whether the performance conditions for share awards or options are satisfied. Where the performance requirements are based on ROCE the Committee will use the principles behind the audited figures disclosed in the Company's financial statements, and may take advice from independent advisors as to whether any adjustments are required to ensure consistency in accordance with the terms of the performance conditions. Where the performance measure is Total Shareholder Return, Halliwell Consulting, the Remuneration Committee's advisors, shall calculate the TSR in accordance with the rules of the LTIP and sign off these figures prior to the release of any award.

2007 Performance Conditions

The 2007 LTIP grant has a performance criteria of absolute share price. The award is split into three parts and any part of the award not capable of release at a measurement point will be rolled over into the next part of the award. The absolute share price targets, adjusted for the share price consolidation are as follows:

	Share Price Target (£)	% Release
Part 1	12.48	0%
	20.80	100%
Part 2	16.64	0%
	24.96	100%
Part 3	20.80	0%
	29.12	100%

2008 LTIP Grant

	Rob Woodward (%age of Salary & FMV)	George Watt (%age of Salary & FMV)
Face Value of LTIP award granted by the Company as %age of Salary & FMV ⁽¹⁾	200% (£532,000)	200% (£300,000)
Total Face Value of LTIPs granted as %age of Salary & FMV at the Upper Quartile in the 2008 Comparator Group	151% (£446,000)	119% (£330,000)
Executive Shareholding Requirement ⁽²⁾ as a %age of Salary (current shareholding in bold)	100% (105%)	100% (105%)

⁽¹⁾ Fair Market Value ("FMV") for an award under the LTIP is based on the value of the shares at the date of grant discounted to take into account the probability of the performance conditions being satisfied.

⁽²⁾ The Remuneration Committee is keen to encourage executive directors and other members of the executive management group to build significant shareholdings in the Company in relation to their remuneration. A shareholding requirement was therefore introduced in 2005 which will ensure that over a five-year period a minimum holding is built up by all members of the executive management group.

It should be noted that the real value received by the executive directors under the share incentive arrangements will be dependent upon the degree to which the associated performance conditions have been satisfied at the end of the three-year performance period and the share price of the Company at this time.

Dilution

The following table sets out the current level of dilution against the ABI limits for all share plans and discretionary plans (principally executive plans) and sets out the commitments to issue shares made during the financial year reported:

Maximum	Current Dilution	Additional Dilution During the Year in Question
10% dilution in ten years	4.17%	2.72%
5% dilution in ten years	4.12%	3.01%

Remuneration Committee Report continued

In accordance with the ABI guidelines the Company can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans. In addition, of this 10% the Company can only issue 5% to satisfy awards under discretionary or executive plans. The additional dilution considers the commitments the Company has made under its share plans during the financial year.

Pension

Policy 2008 & 2009: Median

Final salary scheme

George Watt is the only current executive director who is a member of the Group's principal pension scheme, the Scottish and Grampian Television Retirement Benefits Scheme, which is an Inland Revenue approved defined benefit occupational pension scheme. In common with all members, George Watt made contributions of 9% of salary to the scheme (2007: 7%). Subject to Inland Revenue limits the scheme provides members with a pension of two thirds of final basic salary upon reaching normal retirement at age 65 (2007: 65). The principal features of the pension benefit accrued by each executive director are noted below. These are:

- the annual accrued pension payable from normal retirement age, calculated as if he had left service at the period end;
- the increase in the accrued pension attributable to service as a director during the year;
- the transfer value of the accrued benefit at the end of the period, calculated in accordance with the actuarial guidance note GN11;
- the transfer value of the accrued benefit at the end of the previous period, calculated in accordance with the actuarial guidance note GN11; and
- the increase in the transfer value over the period net of employee contributions.

Members of the scheme have the option of paying Additional Voluntary Contributions, but these and the resulting benefits are not included in the table shown on page 53.

Money purchase scheme

As a consequence of A-Day pension legislation the Company closed down its Funded Unapproved Retirement and Death Benefit Scheme (FURDBS). Thereafter, members who had accrued pension benefits above the lifetime allowance would no longer be able to remain as active members of the final salary scheme. In lieu of pension scheme benefits the executive directors receive a cash pension payment equal to 20% of base salary. Furthermore, following the retention of the earnings cap within the final salary scheme, executive directors receive as a cash pension supplement 20% of their salary in excess of the earnings cap. This pension supplement will be excluded from the calculation of any other benefit provided by the Company. Executives will not be compensated for any loss of tax relief arising from the change in pension legislation.

Benefits in Kind

Policy 2008 & 2009: Market Practice

The Company provides a cash benefits allowance in lieu of normal benefits in kind for executives of this level in a company of this size, such as company cars and healthcare. The Company actively reviews the levels of benefit received to ensure that they remain market competitive. This cash benefits allowance is excluded from the calculation of any other benefit provided by the Company.

Total Compensation

Policy 2008: Median to Upper Quartile depending on Performance

The following table shows the value of each of the main elements of the remuneration package provided to the executive directors during the year ended 31 December 2008. It should be noted that the FMV (6) of LTIP awards are not the value that will be received by the executives but represent the accounting cost to the Company of providing these share incentives under IFRS 2⁽¹⁾ and therefore represent the 'cash value' of those grants at the date of grant. The FMV calculation is based on a series of assumptions and may not equate to the actual value received by the executive directors on release.

In addition, no benefit under the LTIP will be provided unless the attached performance conditions are satisfied and will also depend on the share price on release.

Name	Salary	Bonus Paid		Benefits	Total Payments	FMV LTIP	TOTAL Actual & FMV
		Cash	Shares				
Rob Woodward Chief Executive Officer	£380,000	£114,000	114,000	£91,500	£699,500	£532,000	£1,231,500
George Watt Chief Financial Officer	£214,200	£64,260	64,260	£34,680	£377,400	£300,000	£677,400

*50% of bonus paid has been awarded in shares and will be deferred for 12 months.

⁽¹⁾ International Financial Reporting Standard dealing with the expensing of share incentives.

Remuneration Committee Report continued

Other Remuneration Matters

All Employee Share Arrangements

The following table summarises the main features of the Company's all employee share arrangements and their current status:

Name	Status	Eligibility	Main Features	%age of Employees Participating
SIP ⁽¹⁾	The Plan was not offered during tax year 2008/09.	All employees of the Company including the executive directors.	The Plan provides employees with the opportunity of purchasing £1,500 of shares a year out of pre-tax salary and providing additional matching shares with a maximum matching ratio of 2:1.	N/A as plan was not offered during tax year 2008/09.
Sharesave Scheme ⁽²⁾	The Plan is in the run-off stage with no new invitations. It is not currently intended to operate the Plan in the future.	All employees of the Company including the executive directors.	Options are granted over Company shares at a discount of up to 20% to the market value on the date of grant, which subject to the satisfaction of conditions can be exercised after either three or five years.	N/A as plan was not offered during tax year 2008/09.

⁽¹⁾ The stv group plc Buy! & Match! Plan ("SIP").

⁽²⁾ stv group plc Sharesave Scheme.

Executive directors' contracts

Details of the service contracts of the executive directors of the Company are as follows:

Name	Company Notice Period	Contract Date	Unexpired Term of Contract	Potential Termination Payment
Rob Woodward Chief Executive Officer	12 months	28.02.07	Rolling contract	12 months salary and benefits
George Watt Chief Financial Officer	12 months	27.02.01	Rolling contract	12 months salary and benefits

All executive directors' contracts are for a fixed period of one year from date of appointment, and will continue thereafter unless terminated by at least 12 months' written notice. This arrangement is in line with best corporate practice for listed companies. In the event of the termination of an executive's contract, salary and benefits will be payable during the notice period (there will, however, be no automatic entitlement to bonus payments or share incentive grants during the period of notice other than where normal good leaver provisions apply). All executive directors will be expected to mitigate their loss in accordance with general legal principles in the event of their cessation of employment. The Remuneration Committee will ensure that there have been no unjustified payments for failure on an executive director's termination of employment. There are no special provisions in the contracts of employment extending notice periods on a change of control, liquidation of the Company or cessation of employment.

Non-executive directors

The remuneration of the non-executive directors is determined by the Board based upon recommendations from the Chairman and Chief Executive Officer (or, in the case of the Chairman, based on recommendations from the Senior Independent non-executive director and the Chief Executive Officer) and is within the limits set by the Articles of Association. The individual basic and committee fees are as follows:

Name	2008			
	Basic Fee £	Committee Chair £	Committee Fee £	Total £
Richard Findlay	£80,000	n/a	£5,000	£85,000
David Shearer	£34,500	£7,500	n/a	£42,000
Matthew Peacock	£27,000	£7,500	n/a	£34,500
Vasa Babic	£27,000	£7,500	n/a	£34,500
Waheed Alli*	£27,000	n/a	£5,000	£32,000
Jamie Matheson	£27,000	n/a	£5,000	£32,000

*Resigned 13 November 2008.

For non-executive directors, all fees are paid in cash. Non-executive directors do not participate in any bonus plan or share incentive programme operated by the Company and are not entitled to pension contributions or other benefits provided by the Company. The non-executive directors do not have service contracts, but their appointments are for fixed-terms of three years, subject to the terms of the Company's Articles of Association, the Companies Act and shareholder approval. The basis of fees paid to the non-executive directors is as follows:

- a basic fee of £27,000 for carrying out the duties of a non-executive director;
- a basic fee of £34,500 for carrying out the duties of senior independent non-executive director;
- a fee of £5,000 for carrying out the specific duties of sitting on a Company Committee;
- an additional fee of £2,500 on top of the Committee fee to reflect the additional duties involved in Chairing a Committee.

Remuneration Committee Report continued

Directors interests in shares

The beneficial interests of the directors and their families in the ordinary shares of the Company as of 1 January 2008 and as at 31 December 2008 (or their date of resignation) were, other than in respect of options or other rights to acquire ordinary shares, as follows:

	1 January 2008				31 December 2008 (or Date of Resignation)	
	Ordinary 2.5p shares	Ordinary 50p shares*	Share Incentive Plan 2.5p shares	Share Incentive Plan 50p shares*	Ordinary 50p shares*	Share Incentive Plan 50p shares
Executive directors						
Rob Woodward	225,000	11,250	-	-	30,000	-
George Watt	189,909	9,495	15,815	790	17,634	1,070
Non-executive directors						
Richard Findlay	300,000	15,000	-	-	15,000	-
David Shearer	250,000	12,500	-	-	12,500	-
Jamie Matheson	-	-	-	-	12,500	-
Waheed Alli	-	-	-	-	-	-
Vasa Babic**	115,676,518	5,783,825	-	-	3,803,825	-
Matthew Peacock**	115,676,518	5,783,825	-	-	3,803,825	-

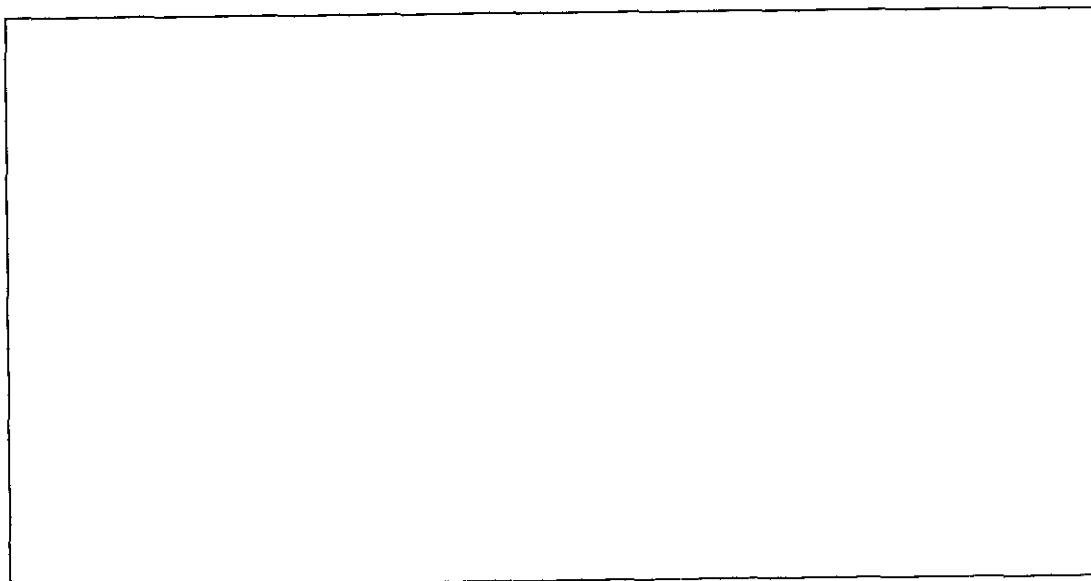
There have been no changes since 31 December 2008.

*On 1 October 2008, there was a 1 for 20 share consolidation. The 50p shares at 1 January 2008 are shown on a *pro-forma* basis to aid comparison.

**These 3,803,825 stv group plc shares are held by Hanover. The interests of both Matthew Peacock and Vasa Babic are by reference to the same shareholding.

Total Shareholder Return Performance Graph

The graph shows the Company's performance, measured by total shareholder return ("TSR"), compared to the constituents of the FTSE Media Index over the last five years.



Audited Information

The total of directors' emoluments in the year was £1,334,000 (2007: £855,000).

The remuneration of each director, excluding long-term incentive awards and pensions, during the year ended 31 December 2008 compared with 2007 is set out in the table below.

	Salary/Fees		Benefits ⁽¹⁾		Annual Performance-Related Bonus ⁽²⁾		Compensation for Loss of Office		Total	
	2008 £000	2007 £000 ⁽⁴⁾	2008 £000	2007 £000 ⁽⁴⁾	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000 ⁽⁴⁾
Executive directors										
Rob Woodward	380	318	91	57	228	-	-	-	699	375
George Watt	214	214	35	36	128	-	-	-	377	250
Non-executive directors										
Richard Findlay	85	87	-	-	-	-	-	-	85	87
David Shearer	42	35	-	-	-	-	-	-	42	35
Matthew Peacock	34	28	-	-	-	-	-	-	34	28
Vasa Babic	34	28	-	-	-	-	-	-	34	28
Waheed Ali ⁽³⁾	30	26	-	-	-	-	-	-	30	26
Jamie Matheson	33	26	-	-	-	-	-	-	33	26
Total (£000)	852	762	126	93	356	-	-	-	1,334	855

⁽¹⁾ This is an allowance to cover standard company benefits.

⁽²⁾ 50% of bonus paid has been awarded in shares and will be deferred for 12 months.

⁽³⁾ Resigned 13 November 2008.

⁽⁴⁾ With the exception of George Watt, 2007 remuneration was in respect of a period of 10 months only.

Pension

For further information on pensions please see the unaudited part of the Remuneration Report.

Final salary scheme

	Change in Accrued Pension Over the Year ⁽¹⁾	Accrued Pension at 31 December 2008	Transfer Value at 31 December 2008 ⁽²⁾	Transfer Value to 31 December 2007	Change in Transfer Value Over the Year Less Director's Contributions
George Watt	3,019	22,747	165,084	163,029	(8,097)

⁽¹⁾ Pension accruals shown are the amounts that would be paid annually on retirement based on service at the end of the current year.

⁽²⁾ Transfer values have been calculated in accordance with Guidance Note GN11 issued by the Faculty and Institute of Actuaries. The transfer values represent the actuarial liability of the pension plan and not the sum paid or due to an individual.

Remuneration Committee Report continued

Directors' interests in the Company's share plans

Share Option Schemes

Options to acquire shares in the Company, granted to directors under the Inland Revenue approved and unapproved Share Option Schemes or under the Sharesave Scheme but not exercised, as at 31 December 2008 are:

	Note	Number of Options at 1 Jan 2008 (ord 2.5p)	Lapsed During the Year	Number of Options at 31 Dec 2008 (ord 2.5p)	Number of Options at 31 Dec 2008 (ord 50p)	Date of Grant	Performance Condition	Exercise Period From - To	Exercise Price (£)
George Watt	A	16,657	–	16,657	800	12.03.99	1	12.03.02 – 12.03.09	37.44
	B	178,200	178,200	–	–	10.03.03	2	10.03.06 – 10.03.10	13.73
	B	125,778	–	125,778	6,048	12.03.04	2	12.03.07 – 12.03.11	21.08

The Options are held under the terms and performance conditions of the schemes for which details appear below:

Scheme and performance conditions.

Note Type of Scheme

A stv group plc Company Share Option Scheme (Approved)

B stv group plc Executive Share Option Scheme (Unapproved)

- Options vest if earnings per share ("EPS") growth exceeds the Retail Price index ("RPI") by 12% on a three-year rolling basis.
- Options vest if EPS growth exceeds RPI by 3% p.a.

2005 Long-Term Incentive Plan

Approved by shareholders on 3 June 2005.

	Interests at 1 Jan 2008	Awarded in Year	Exercised in Year	Lapsed in Year	At 31 Dec 2008 (ord 2.5p)	At 31 Dec 2008 (ord 50p)	Award Date	Release Date
Rob Woodward	–	7,600,000	–	–	7,600,000	365,452	11.04.08	11.04.11
George Watt	230,716	–	31,746	198,970	–	–	06.06.05	06.06.08
	281,256	–	–	–	281,256	13,524	14.03.06	14.03.09
	–	4,284,000	–	–	4,284,000	206,000	11.04.08	11.04.11

2007 Long-Term Incentive Plan

Approved by shareholders on 3 June 2007.

	Interests at 1 Jan 2008	Awarded in Year	Exercised in Year	Lapsed in Year	At 31 Dec 2008 (ord 2.5p)	At 31 Dec 2008 (ord 50p)	Award Date	Release Date
Rob Woodward	2,557,889	–	–	–	2,557,889	122,998	12.07.07	12.07.10
George Watt	960,330	–	–	–	960,330	46,178	12.07.07	12.07.10

The market price on 6 June 2005 was £0.93 (2.5p share); on 14 March 2006 was £0.83 (2.5p share); and 12 July was £0.515 (2.5p share).

Performance Conditions

2005, 2006 and 2008 Award

50% of the Awards are subject to comparative TSR performance ("TSR Award"). 50% of the TSR Award are subject to the Company's performance against the Competitor Group and 50% against the Comparator Group. 50% of the Awards are subject to the average annual ROCE performance of the Company.

Competitor TSR Group		Comparator TSR Group		Average Annual ROCE Performance	
Place	%age of Award	Quartile	%age of Award	Group ROCE	%age of Award
Position 5	0%	<Median	0%	10%	10%*
Position 4	25%	Median	25%*	15%	50%*
Position 3	50%	Upper Quartile	100%*	20%	100%*
Position 2	75%				
Position 1	100%				

*Straight-line release between points

Competitor Group
British Sky Broadcasting plc, Capital Radio plc ⁽¹⁾ , Chrysalis plc, EMAP plc, GCAP Media plc ⁽²⁾ , ITV plc, Maiden Group plc, Ulster Television plc.

⁽¹⁾ 2005 Award only.

⁽²⁾ 2006 Award only.

Comparator Group
Aegis Group plc, British Sky Broadcasting plc, Capital Radio plc ⁽¹⁾ , Chrysalis Group plc, EMAP plc, Euromoney Institutional Investor plc, Future Network plc, GCap Media plc ⁽²⁾ , GWR Group plc ⁽³⁾ , ITE Group plc, ITV plc, Johnston Press plc, Maiden Group plc, Photo-me International plc, Scottish Radio Holdings plc ⁽⁴⁾ , St. Ives plc, T&F Informa plc, Taylor Nelson Sofres plc, Ulster Television plc, United Business Media plc.

⁽¹⁾ ⁽²⁾ ⁽⁴⁾ 2005 Award only.

⁽³⁾ 2006 Award only.

2007 Award

See the unaudited part of the report for detail of the applicable performance conditions.

Remuneration Committee Report continued

Inland Revenue Approved Share Incentive Plan

Approved by shareholders on 6 April 2001

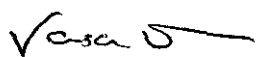
The issue of all shares under the Share Incentive Plan was made prior to the Company's share consolidation, so all shares referred to are ordinary 2.5p shares.

	2008 Number of partnership shares purchased	2008 Number of matching/ dividend shares purchased
George Watt	3,729	1,865

Partnership Shares are ordinary shares of the Company purchased on a monthly basis (prices ranged from £0.155p to £0.11p per ordinary 2.5p share).

The market price of the Company's shares on 31 December 2008 was 77.5p per ordinary 50p share. Between 1 January 2008 and 30 September 2008, prior to the share consolidation, the high and low share prices were 16.75p and 8.85p per ordinary 2.5p share. Between 1 October 2008 and 31 December 2008, following the share consolidation, the high and low share prices were 198p and 77.5p per ordinary 50p share.

By order of the Board


Vasa Babic
Remuneration Committee Chairman
Pacific Quay
Glasgow G51 1PQ
26 February 2009

Accounts

58	stv group plc Group Financial Statements – Independent Auditors' Report to the Members of stv group plc
60	Consolidated Income Statement
60	Consolidated Statement of Recognised Income and Expense
61	Consolidated Balance Sheet
62	Consolidated Cash Flow Statement
63	Notes to the Financial Statements
92	stv group plc Company Financial Statements – Independent Auditors' Report to the Members of stv group plc
94	Company Balance Sheet
95	Notes to the Company Financial Statements
98	Five-Year Summary of Financial Statements
99	Notice of Annual General Meeting
103	Investor Information

stv group plc Group Financial Statements

Independent Auditors' Report to the Members of stv group plc

We have audited the Group financial statements of stv group plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. 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 stv group plc for the year ended 31 December 2008 and on the information in the Remuneration Committee Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors' is consistent with the Group financial statements.

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 Combined Code 2006 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 other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises all of the component parts of 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.

Basis of audit opinion

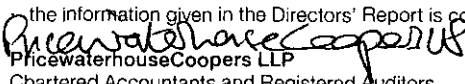
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements 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 loss and cash flows for the year then ended;
- the Group financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

26 February 2009

Consolidated Income Statement

for the year ended 31 December 2008

	Note	Underlying results £m	Exceptional items £m	2008 Results for year £m	Underlying results £m	Exceptional items £m	2007 Results for year £m
CONTINUING OPERATIONS							
Revenue	3	111.2	–	111.2	120.3	–	120.3
Net operating expenses before exceptional costs		(98.0)	–	(98.0)	(109.2)	–	(109.2)
Onerous lease contracts	6	–	(3.1)	(3.1)	–	(2.0)	(2.0)
Cost of change	6	–	(1.3)	(1.3)	–	(5.6)	(5.6)
Writedown of inventory	6	–	(2.0)	(2.0)	–	(2.2)	(2.2)
Goodwill impairment	6	–	–	–	–	(0.6)	(0.6)
Net operating expenses		(98.0)	(6.4)	(104.4)	(109.2)	(10.4)	(119.6)
Operating profit		13.2	(6.4)	6.8	11.1	(10.4)	0.7
Interest income		0.4	–	0.4	0.9	–	0.9
Finance costs	7	(2.3)	–	(2.3)	(12.9)	(11.4)	(24.3)
Profit/(loss) before tax		11.3	(6.4)	4.9	(0.9)	(21.8)	(22.7)
Tax (charge)/credit	9	(3.3)	–	(3.3)	1.8	0.5	2.3
Profit/(loss) for the year from continuing operations		8.0	(6.4)	1.6	0.9	(21.3)	(20.4)
DISCONTINUED OPERATIONS							
Profit/(loss) for the year from discontinued operations	8	3.5	(32.5)	(29.0)	6.4	(70.6)	(64.2)
Profit/(loss) for the year		11.5	(38.9)	(27.4)	7.3	(91.9)	(84.6)
Attributable to:							
Equity holders of the parent		11.5	(38.9)	(27.4)	7.5	(91.9)	(82.4)
Minority interest		–	–	–	(0.2)	–	(0.2)
		11.5	(38.9)	(27.4)	7.3	(91.9)	(82.6)
Earnings per ordinary share							
– basic and diluted	11	25.7p		(61.3p)	44.4p		(499.4p)
Earnings per ordinary share from continuing operations							
– basic and diluted	11	17.9p		(3.6p)	6.5p		(119.5p)
Underlying (pre IFRS 5 and IAS 19 notional non-cash interest credit)							
Operating profit	33	14.2			16.4		
Profit before tax	33	10.4			1.6		
Earnings per share – basic		20.9p			8.5p		
Underlying (pre IFRS 5)							
Operating profit	33	14.2			16.4		
Profit before tax	33	12.3			4.4		
Earnings per share – basic		24.8p			23.4p		

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2008

	2008 £m	2007 £m
Loss for the year	(27.4)	(84.6)
Actuarial (loss)/gain recognised in the pension schemes	(30.2)	24.7
Deferred tax credit/(charge) to equity	8.1	(7.7)
Cash flow hedges	–	0.3
Net (loss)/profit recognised directly in equity	(22.1)	17.3
Total recognised expense for the year	(49.5)	(67.3)
Attributable to:		
Equity holders of the parent	(49.5)	(67.1)
Minority interest	–	(0.2)
	(49.5)	(67.3)

Consolidated Balance Sheet

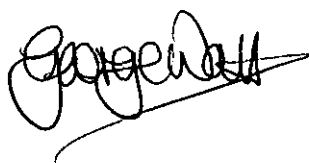
at 31 December 2008

	Note	2008 £m	2007 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	12	8.2	8.3
Property, plant and equipment	13	14.2	15.3
Deferred tax asset	20	12.3	4.9
		34.7	28.5
Current assets			
Inventories	14	41.9	40.3
Trade and other receivables	15	24.0	35.7
Cash and cash equivalents	16	13.0	10.8
Short-term bank	16	1.0	1.4
		79.9	88.2
Assets classified as held for sale	8	18.8	79.6
Total assets		133.4	196.3
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22,23	18.0	23.8
Share premium	22,23	111.3	136.3
Merger reserve		173.4	173.4
Equity reserve		-	2.5
Other reserve	23	0.7	1.2
Minority interest	23	-	(0.2)
Retained losses	23	(320.5)	(273.3)
Total equity		(17.1)	63.7
LIABILITIES			
Non-current liabilities			
Borrowings	18	53.8	62.0
Trade and other payables	17	0.1	0.3
Provisions	21	3.9	2.2
Retirement benefit obligation	31	38.3	14.0
		96.1	78.5
Current liabilities			
Trade and other payables	17	25.1	30.7
Current tax liabilities		5.9	-
Provisions	21	1.5	3.9
		32.5	34.6
Liabilities directly associated with assets classified as held for sale	8	21.9	19.5
Total liabilities		150.5	132.6
Total equity and liabilities		133.4	196.3

The financial statements on pages 60 to 91 were approved by the Board on 26 February 2009 and were signed on its behalf by:

Rob Woodward
Chief Executive Officer

George Watt
Chief Financial Officer

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 £m	2007 £m
OPERATING ACTIVITIES			
Cash generated by operations	25	2.1	11.7
Taxes received		1.9	0.6
Interest paid		(4.0)	(30.0)
Pension deficit funding		(3.9)	(5.8)
Net cash used by operating activities		(3.9)	(23.5)
INVESTING ACTIVITIES			
Interest received		0.2	1.9
Net disposal of discontinued operations	24	46.9	47.3
Purchase of property, plant and equipment		(1.3)	(2.7)
Net cash generated by investing activities		45.8	46.5
FINANCING ACTIVITIES			
Capital return including expenses of £0.8m		(30.8)	-
Net borrowings (repaid)/drawn		(8.2)	62.0
Dividends paid		-	(3.8)
Net proceeds from rights issue		-	91.0
Repayment of existing borrowings		-	(149.3)
Repayment of CULS and loan notes		-	(23.6)
Release of cash on deposit		-	1.1
Net cash used by financing activities		(39.0)	(22.6)
Movement in cash and cash equivalents		2.9	0.4
Net cash and cash equivalents at beginning of year		13.5	13.1
Net cash and cash equivalents at end of year	26	16.4	13.5

Reconciliation of movement in net debt for the year ended 31 December 2008

	Note	2008 £m	2007 £m
Opening net debt		(47.1)	(157.3)
Movement in cash and cash equivalents in the year		2.9	0.4
Decrease in debt financing		8.2	87.3
Repayment of CULS and loan note liabilities		-	23.6
Net movement in Escrow cash		(0.4)	(1.1)
Closing net debt	26	(36.4)	(47.1)

Notes to the Financial Statements

for the year ended 31 December 2008

1. General information

stv group plc ("the Company") is a company incorporated in the UK under the Companies Act 1985. The address of the registered office is Pacific Quay, Glasgow, G51 1PQ. The nature of the Group's operations and its principal activities are set out in note 3.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the accounting policies based on International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985/2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial instruments.

The Group has elected to apply policies based on the amendment to IAS 19 issued in December 2004, which permits actuarial gains and losses to be recognised outside the Income Statement in the Statement of Recognised Income and Expense.

At the date of authorisation of these financial statements, the following Standards and Interpretations,

i) which became effective in 2008, have been applied in these financial statements:

IFRS 11, IFRS 2	Group and Treasury Share Transactions
IFRIC 14, IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction

ii) which are not yet effective, have not been early adopted in these financial statements:

IAS 23	Borrowing costs
--------	-----------------

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements when the relevant standards come into effect for periods commencing on or after 1 January 2009.

iii) were effective in 2008 but not relevant:

IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements such as goodwill impairment (note 12) and pensions (note 31).

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the income statement in the period of acquisition. The interest in minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the Financial Statements *continued*

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity or business at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually or whenever there is an indicator of impairment, and is deemed to have an indefinite life. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity or business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment. Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated and is not included in determining any subsequent profit or loss on disposal.

Exceptional items

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested at least annually or whenever there is an indicator of impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying value exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 in respect of goodwill are not reversed.

Property, plant and equipment

Land and buildings are stated in the balance sheet at cost less accumulated depreciation.

Plant, technical equipment and other assets are stated at cost less accumulated depreciation and recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation to residual value of fixed assets over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	between 2% and 4%
Plant and technical equipment	between 5% and 25%
Furniture and fittings	between 10% and 20%
Outdoor panels	between 10% and 33%
Computers and computer related equipment	20%
Vehicles	25%

No depreciation is provided with respect to freehold land.

2. Significant accounting policies (continued)

The lives of assets listed are reviewed and adjusted, if appropriate, at each balance sheet date.

Assets held under finance leases (including leasehold buildings) are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Rates of capitalisation depend on whether a specific loan has been taken out (when the actual interest rate and interest paid are used) or whether the construction has been financed by general borrowings (when a weighted average is calculated on all non-specific borrowings). All other borrowing costs are recognised in the income statement in the period in which they arise.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above).

Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Inventories

inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less estimated costs of completion and the estimated selling costs.

Film rights, recorded programmes and films

Acquired film rights are valued at direct cost less appropriate provisions and are written off at 70% on first transmission and 30% on subsequent transmission. For acquired film rights an asset is recognised as payments are made and in full when the acquired programming is available for transmission. Recorded programmes are valued at direct cost including labour and overheads, less appropriate provisions, and are written off after the first transmission or sale. Programming made for third parties is valued at cost, less appropriate provisions, and is charged to the income statement against related income.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Notes to the Financial Statements continued

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT. Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership and control of the goods sold and the amount of revenue can be measured reliably. Key classes of revenue are recognised on the following basis:

Airtime revenue	on transmission
Sponsorship	evenly over the life of the contract
Programme production	on delivery

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

Taxation

The tax expense represents the sum of current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Dividends

The liability for final dividends is recorded when the dividends are approved by the Group's shareholders. For interim dividends, the liability is recorded when the dividends are paid.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full directly in retained earnings in the period in which they occur and presented in the statement of recognised income and expense.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

Provisions

Provisions for reorganisation costs are recognised when the Group has a detailed formal plan for the reorganisation that has been communicated to affected parties.

2. Significant accounting policies (continued)

Financial risk factors

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

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating divisions. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

(a) *Currency risk*

The Group operates almost wholly within the UK and is exposed to minimal foreign exchange risk. Foreign currency exchange risk arises primarily with respect to the Euro, US dollar and the Swiss franc. Foreign currency exchange risk arises from future commercial transactions and trade assets and liabilities in foreign currencies. No further active management of currency risk is required.

(b) *Credit risk*

Credit risk is the risk of losses due to the failure of the Group's customers to meet their payment obligations towards the Group. The Group has no significant concentration of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Independent credit ratings are sought for all potential customers and based on the outcome of the feedback from the ratings agency a judgement is made on the appropriate level of credit to be given. Derivative transaction counterparties are limited to high-credit-quality financial institutions.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will be unable to meet its payment obligations. Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises of the undrawn borrowing facility (note 18) and cash and cash equivalents (note 16)) on the basis of expected cash flow. This is generally carried out at a Group level. In addition, the Group's liquidity management policy includes projecting cash flows and considering the level of liquid assets necessary to meet these: monitoring balance sheet liquidity ratios against internal targets and bank facility requirements; and maintaining debt financing plans.

(d) *Cash flow interest rate risk*

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at short-term fixed rates expose the Group to cash flow interest rate risk. Group policy is to maintain between 40% and 60% of its borrowings in fixed rate instruments. This policy is being reviewed at present due to the significant volatility experienced in money markets.

A monthly sensitivity analysis is carried out, and on the level of borrowings of the Group at 31 December 2008, a movement of 0.25% in interest rates would change the level of interest paid in the year by +/- £0.1m (2007: £0.2m).

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowing from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rate directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Notes to the Financial Statements *continued*

for the year ended 31 December 2008

2. Significant accounting policies *(continued)*

(e) *Capital risk management*

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

	2008 £m	2007 £m
Total borrowings (note 18)	53.8	62.0
Less: cash and cash equivalents	(17.4)	(12.2)
Net Debt	36.4	49.8
Total equity	(17.1)	63.7
Total capital	19.3	113.5
Gearing ratio	189%	44%

Cash and cash equivalents includes cash held within discontinued operations and short-term deposits.

The increase in the gearing ratio during 2008 resulted primarily from the return of capital which was funded by the sale of the Radio business.

Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(a) *Trade receivables*

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. A provision is established for trade receivables if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(b) *Investments*

Investments are measured at reporting dates at fair value.

(c) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(d) *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(e) *Trade payables*

Trade payables are not interest bearing and are stated at their nominal value.

(f) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(g) *Derivative financial instruments and hedge accounting*

The Group uses derivative financial instruments to hedge its exposures to fluctuations in interest and foreign exchange rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at the end of each quarter end to ensure that the hedge remains highly effective.

2. Significant accounting policies (continued)

(g) Derivative financial instruments and hedge accounting (continued)

The fair value of interest rate swaps is based on the market price (LIBOR) of comparable instruments at the measurement date. The fair value of currency swaps is based on forward exchange rates at the measurement date.

The fair value of the interest rate swap contract is calculated on a discounted cash flow basis using market forward rates. Gains or losses arising from the movement to fair value are taken to the income statement except where designated as a cash flow hedge.

For cash flow hedges, the effective part of changes in the fair value of the derivative is recognised in equity. The amounts accumulated in equity are transferred to the income statement in the same period as the hedged transaction occurs, for example when interest arising on floating rate debt is paid or the forecast sale or purchase transaction takes place. Any movements in fair value occurring after the time when hedging contracts cease to be cash flow hedges are taken directly to the income statement. Gains or losses relating to any ineffective part of changes in fair value are taken immediately to the income statement.

Share-based payments

The Group has not taken the optional exemption under IFRS 1, and on the basis that the fair value of equity instruments has previously been publicly disclosed, IFRS 2 has been fully retrospectively applied to all options granted but not fully vested at the relevant reporting date. As a result, the share-based payment charge for 2008 includes all options granted and not fully vested at 31 December 2008, rather than only the value of options granted since 7 November 2002 (the effective date of IFRS 2). This approach is encouraged in the standard and gives a better indication of how past and future results are affected by IFRS 2.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will ultimately vest.

Fair value is measured by use of the Black & Scholes model or Monte Carlo model as relevant. The expected lives used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Business segments

During the year, for management purposes the Group was organised into three operating divisions – Television, Cinema and Radio. These divisions are the basis on which the Group reports its primary segment information with the exception of Television which is further broken down into Broadcasting, Content and Ventures segments.

Principal activities are as follows:

Television – the production and broadcasting of television programmes and associated enterprises.

Radio – the operation of commercial radio in the UK.

Cinema – the provision of advertising space within cinema complexes.

The Group put its Cinema and Radio businesses up for sale on 13 September 2006 and 12 April 2007 respectively. Cinema continues to meet all the conditions to be classified as held for sale and is therefore classed as discontinued operations. The completion of the Radio disposal occurred on 30 June 2008.

The sale of the Outdoor division whose principal activity was the provision of advertising solutions across various outdoor media, completed on 30 October 2007.

Notes to the Financial Statements continued

for the year ended 31 December 2008

3. Business segments (continued)

Segment information about these businesses is presented below:

	2008 £m	External sales 2007 £m
SEGMENT REVENUES		
Continuing operations	89.0	95.3
Broadcasting	16.1	18.1
Content	6.1	6.9
Ventures	111.2	120.3
Television		
Discontinued operations	11.3	24.0
Radio	22.0	22.1
Cinema	-	18.9
Outdoor	33.3	65.0
	144.5	185.3

The 2008 revenue for PRTS in Ventures is shown gross. The 2007 revenue has been restated for comparability. The impact has been to increase revenue in the year to 31 December 2007 by £1.3m to £6.9m and to increase net operating expenses by £1.3m to £7.9m. The impact has been to increase revenue in the year to 31 December 2007 by £1.3m to £6.9m and to increase net operating expenses by £1.3m to £7.9m.

Independent Television Commission ("ITC") qualifying revenue was £88.0m (2007: £94.0m). Turnover in 2008 includes £1.1m of revenues from sources outside the UK (2007: £1.8m).

	Underlying segment result		Exceptional items		Segment result	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
SEGMENT RESULT						
Continuing operations						
Broadcasting	9.7	9.0	(2.0)	(5.8)	7.7	3.2
Content	2.9	3.1	-	(0.6)	2.9	2.5
Ventures	0.6	(1.0)	(1.3)	(3.2)	(0.7)	(4.2)
	13.2	11.1	(3.3)	(9.6)	9.9	1.5
Onerous lease provision attributable to Group					(3.1)	-
Cost of change costs attributable to Group					-	(0.8)
Operating profit					6.8	0.7
Financing					(1.9)	(12.0)
Exceptional financing costs					-	(11.4)
Profit/(loss) before tax					4.9	(22.7)
Tax (charge)/credit					(3.3)	2.3
Profit/(loss) for the year from continuing operations					1.6	(20.4)
Discontinued operations						
Radio	1.4	4.9	-	(49.2)	1.4	(44.3)
Cinema	0.1	(0.5)	(15.0)	(15.7)	(14.9)	(16.2)
Outdoor	-	4.6	-	-	-	4.6
	1.5	9.0	(15.0)	(64.9)	(13.5)	(55.9)
Attributable tax credit/(charge)	2.0	(2.6)	-	-	2.0	(2.6)
	3.5	6.4	(15.0)	(64.9)	(11.5)	(58.5)
Loss on disposal of discontinued operations					(17.5)	(5.7)
Loss for the year from discontinued operations					(29.0)	(64.2)
Net loss attributable to equity shareholders					(27.4)	(84.6)

3. Business segments (continued)

Operating profit in 2008 includes £0.6m arising outside the UK (2007: £1.0m).

The above result of discontinued operations for 2008 includes an IFRS 5 adjustment relating to depreciation of £0.5m (2007: £3.7m) which ceased to be charged when the businesses were classified as held for sale.

In 2008, the exceptional item in Ventures of £1.3m relates to a cost of change provision which saw all remaining balances of PeoplesChampion.com and Smartycars.com being written off (2007: £2.6m cost of change provision and £0.6m for goodwill impairment). In 2008, the exceptional item in Broadcasting relates to £2.0m stock writedown (2007: £2.2m stock writedown, £1.6m cost of change provision and £2.0m of onerous lease provisions) and in 2007 in Content the exceptional item relates to £0.6m for cost of change provision.

In 2008, the exceptional item in Cinema of £15.0m relates to the Vue onerous contract provision (2007: £15.4m Vue onerous contract provision and £0.3m cost of change provision). The exceptional items in the Radio division in 2007 relate to a goodwill impairment and asset writedown loss of £49.2m.

The loss on disposal of discontinued operations relates to the sale of Virgin Radio in 2008 and Primesight in 2007 (see note 8).

SEGMENT ASSETS AND LIABILITIES	2008	Assets 2007	2008	Liabilities 2007
	£m	£m	£m	£m
Broadcasting	65.1	62.3	16.5	26.5
Content	29.0	32.5	3.1	4.9
Ventures	2.5	2.7	0.5	0.9
Radio	–	67.4	–	4.7
Cinema	18.8	12.2	21.9	14.8
Total of all segments	115.4	177.1	42.0	51.8
Unallocated corporate	18.0	19.2	108.5	80.8
Consolidated	133.4	196.3	150.5	132.6

OTHER SEGMENT INFORMATION	Broadcasting		Content		Ventures		Radio		Outdoor		Cinema	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Capital additions	1.1	1.4	–	–	0.2	0.1	–	0.1	–	1.0	–	–
Depreciation	2.2	2.0	–	–	0.4	0.4	–	–	–	–	–	–
Impairment	–	–	–	–	–	0.6	–	49.2	–	–	–	–

Segment assets consist primarily of goodwill, inventories and trade and other receivables. They exclude cash and bank deposits and deferred tax assets.

Segment liabilities comprise operating liabilities (including trade and other payables and provisions). They exclude Group borrowings, retirement benefit obligations, tax liabilities, dividends payable and other non-current liabilities.

All the net assets in 2007 and 2008 were held in the UK and therefore operates in a single geographical segment.

Notes to the Financial Statements continued

for the year ended 31 December 2008

4. Operating expenses by nature

	2008 £m	2007 £m
Changes in inventories	1.6	4.2
Other external charges	101.7	125.4
Staff costs	17.6	25.9
Depreciation	2.6	2.4
Operating lease charges:		
– plant and machinery	2.6	3.2
– other	3.3	3.4
Other operating charges	0.4	0.7
	129.8	165.2
Attributable to:		
Continuing	98.0	109.2
Discontinued	31.8	56.0
	129.8	165.2

Services provided by the Group's auditor

During the year the Group obtained the following:

Services from the Company's auditor:

	2008 £m	2007 £m
Group		
Fees payable to Company auditor for the audit of parent company and consolidated financial statements	0.2	0.2
Fees payable to the Company's auditor and it's associates for other services:		
– The audit of Company's subsidiaries pursuant to legislation	–	0.1
– Other services pursuant to legislation	0.4	0.9
– Tax services	0.3	0.2
	0.9	1.4

Included in the audit fees payable is £5k (2007: £5k) paid in respect of the parent company. The audit of Company's subsidiaries pursuant to legislation includes an amount of £16k (2007: £25k) for the audit of pension schemes.

Other non-audit services comprise vendor due diligence and pension advisory services.

5. Staff costs

The average monthly number of employees (including executive directors) was:

	2008 Number	2007 Number
Television		
Established	351	387
Contract	107	132
	458	519
Radio		
Established	94	89
Contract	5	6
	99	95
Outdoor		
Established	-	75
Contract	-	2
	-	77
Cinema		
Established	37	35
Contract	1	2
	38	37
Total	595	728

Their aggregate remuneration comprised:

	2008 £m	2007 £m
Wages and salaries	16.6	24.3
Social security costs	1.5	2.2
Retirement benefit obligation (see note 31)	(0.5)	(0.6)
	17.6	25.9

Included within the retirement obligation above is a £1.4m pension cost (2007: £2.2m) and a £1.9m interest credit (2007: £2.8m). The interest element is included within finance costs on the face of the income statement.

6. Exceptional items

i) Onerous lease contracts

A provision of £3.1m has been provided in the year in respect of a shortfall on a sub-lease of surplus property at the Group's Pacific Quay, Glasgow premises. The space has become surplus to operational requirements following headcount reductions over the last 18 months. A provision of £2.0m was recorded in 2007 in respect of the leases on two non-core properties.

ii) Cost of change

A provision of £1.3m has been recognised in the year in relation to restructuring within Ventures division with all remaining balances relating to PeoplesChampion.com and Smartycars.com being written off.

A provision of £5.6m was provided in 2007 following the announcement of restructuring plans principally across all areas of the Group's Television business in relation to the execution of the new turnaround strategy.

iii) Writedown of inventory

A stock writedown of £2.0m has been recognised in the year in relation to ITV1 network stock write offs. In 2007 a stock writedown of £2.2m was provided, £2.1m relating to ITV1 network stock write offs and the remaining £0.1m relating to regional drama stock.

Notes to the Financial Statements *continued*

for the year ended 31 December 2008

6. Exceptional items (*continued*)

iv) Goodwill impairment

A goodwill impairment loss of £0.6m was recognised in 2007 in accordance with IAS 36 on the carrying value of PeoplesChampion.com.

v) Financing costs

Exceptional fees and costs of £11.4m (note 7) incurred as a result of the amended banking agreement dated April 2007 and the costs of the CULS replacement facility entered into in September 2007 were written off in 2007.

7. Finance costs

	2008 £m	2007 £m
Interest expense:		
Bank borrowings	4.2	14.6
CULS and loan note interest	-	1.1
	4.2	15.7
Pension finance income	(1.9)	(2.8)
	2.3	12.9
Exceptional financing costs	-	11.4
Finance costs	2.3	24.3

8. Discontinued operations

On 30 June 2008, the disposal of the Group's Radio business, Virgin Radio, was completed.

	2008 £m	2007 £m
Post-tax results from discontinued operations	(29.0)	(64.2)

Exceptional items included within the results are as follows:

Cost of change provision

A provision of £0.3m has been provided in 2007 within Cinema division.

Onerous contract provision

A provision of £15.4m was made in 2007 to cover future losses expected from the Vue contract within Cinema division. A further £15.0m provision has been recognised during the year.

Goodwill impairment and asset writedown

A further £49.2m goodwill impairment and asset writedown loss was recognised in 2007 on the carrying value of Virgin Radio to reflect the current market value.

8. Discontinued operations (continued)**Loss on disposal of discontinued operations**

On 30 June 2008, the Group completed the sale of its Radio business, Virgin Radio, to TIML Golden Square Ltd ("TIML") for a gross cash consideration of £53.2 million resulting in a loss on disposal of £16.1m.

On 30 October 2007, the Group completed the sale of its Outdoor business, Primesight, to GMT Communications Partners ("GMT") for a gross consideration of £62.0m. The consideration was made up of £52.0m cash and two £5.0m loan notes payable at the earlier of five years from Completion or an exit from the business by GMT. One of the loan notes was contingent on the 2007 results of Primesight and as the performance triggers were not reached this amount will not now be received. The remaining deferred loan note has a discounted value of £3.6m resulting in a net consideration of £55.6m and a loss on disposal of £5.7m.

	2008 £m	2007 £m
Cash flows from discontinued operations		
Net cash flows from operating activities	0.3	3.9
Net cash flows from investing activities	-	1.2
	0.3	5.1

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2008 £m	2007 £m
Goodwill	-	55.8
Property, plant and equipment	0.1	3.6
Trade and other receivables	11.6	17.5
Cash and cash equivalents	3.4	2.7
Tax	3.7	-
Total assets classified as held for sale	18.8	79.6
Trade and other payables	5.8	9.2
Provisions for liabilities and charges	16.1	10.3
Total liabilities associated with assets classified as held for sale	21.9	19.5
Net (liabilities)/assets of disposal group	(3.1)	60.1

Notes to the Financial Statements continued

for the year ended 31 December 2008

9. Tax

	2008 £m	2007 £m
Current tax:		
UK corporation tax on profit for the period	-	-
UK corporation tax adjustment in respect of prior years	-	(2.0)
	-	(2.0)
Deferred tax:		
Origination and reversal of timing differences	1.3	2.3
Tax (credit)/charge for the year	1.3	0.3
Attributable to:		
Continuing operations	3.3	(2.3)
Discontinued operations	(2.0)	2.6
	1.3	0.3

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2008 £m	2007 £m
Profit/(loss) before tax from continuing operations	4.9	(22.7)
Loss before tax from discontinued operations	(31.0)	(61.6)
Loss before tax	(26.1)	(84.3)
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	(7.4)	(25.3)
Other expenses not deductible for tax purposes	0.1	0.2
Adjustments to tax charge in respect of previous periods	-	(1.7)
Tax effect of exceptional items	8.6	27.1
Tax charge for the year	1.3	0.3

A deferred tax asset of £15.7m (2007: £13.2m), which is due to tax losses and short-term timing differences has not been recognised, as suitable income may not be available to utilise this asset in the foreseeable future.

10. Dividends

	2008 £m	2007 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2006 of 1.2p	-	3.8

No dividend is proposed by the Board for the years ended 31 December 2007 and 2008.

11. Earnings per share

Basic earnings per share ("EPS"), is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

In order to calculate diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one type of dilutive potential ordinary shares namely share options granted to employees.

11. Earnings per share (continued)

EPS has been presented below both including and excluding exceptional items in order to provide a fuller understanding of the Group's underlying performance.

	Earnings £m	2008 Weighted average number of shares (m)	Per share Pence	Earnings £m	Restated 2007 Weighted average number of shares (m)	Restated per share Pence
Underlying EPS:						
Basic EPS						
Earnings attributable to ordinary shareholders	11.5	44.7	25.7p	7.5	16.9	44.4p
EPS from continuing operations:						
Basic EPS	11.5	44.7	25.7p	7.5	16.9	44.4p
Pre-tax (profit) from discontinued operations	(1.5)		(3.3p)	(9.0)		(53.3p)
Tax relating to discontinued operations	(2.0)		(4.5p)	2.6		15.4p
Basic underlying EPS from continuing operations	8.0	44.7	17.9p	1.1	16.9	6.5p
EPS including exceptional items:						
Basic EPS						
Earnings attributable to ordinary shareholders (including exceptional items)	(27.4)	44.7	(61.3p)	(84.4)	16.9	(499.4p)
EPS from continuing operations:						
Basic EPS	(27.4)	44.7	(61.3p)	(84.4)	16.9	(499.4p)
Pre-tax loss/(profit) from discontinued operations	31.0		69.4p	61.6		364.5p
Tax relating to discontinued operations	(2.0)		(4.5p)	2.6		15.4p
Basic EPS from continuing operations	1.6	44.7	3.6p	(20.2)	16.9	(119.5p)
EPS from discontinued operations:						
Basic EPS						
Pre-tax (loss) from discontinued operations	(31.0)	44.7	(69.4p)	(61.6)	16.9	(364.5p)
Tax relating to discontinued operations	2.0		4.5p	(2.6)		(15.4p)
Basic EPS from discontinued operations	(29.0)	44.7	(64.9p)	(64.2)	16.9	(379.9p)

There is no difference between basic and diluted EPS as there is no material impact from dilutive share options. The 2007 figures have been restated to take account of the 1 for 20 share consolidation (note 22).

Notes to the Financial Statements continued

for the year ended 31 December 2008

12. Goodwill and other intangible assets

	Goodwill £m	Other £m	Total £m
Cost			
At 1 January 2008	10.6	0.4	11.0
Written off	–	(0.1)	(0.1)
At 31 December 2008	10.6	0.3	10.9
Accumulated amortisation and impairment			
At 1 January 2008 and 31 December 2008	2.7	–	2.7
Net book value at 31 December 2008	7.9	0.3	8.2
Net book value at 31 December 2007	7.9	0.4	8.3

Goodwill comprises capitalised goodwill on acquisitions completed since 1 January 1998. Other intangible assets of £0.3m (2007: £0.4m) relate to capitalised software costs.

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	2008 £m	2007 £m
Multiple units without individually significant goodwill	7.9	7.9
	7.9	7.9

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. All goodwill recognised at the year end relates to Content.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using an estimated growth rate of 1%. The growth rate is not considered to exceed the long-term average growth rate for the media business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

Net cash flow	£4.2m
Growth rate	1%
Discount rate	7.04%

Management determined Net Cash Flow based on past performance and its expectations of market development. No impairment charge is considered to have arisen this year.

13. Property, plant and equipment

	Land and buildings leasehold £m	Plant, technical equipment and other £m	Total £m
Cost			
At 1 January 2007	2.5	53.6	56.1
Additions	–	2.6	2.6
Disposals	–	0.7	0.7
Classified as held for sale	(2.1)	(3.1)	(5.2)
At 1 January 2008	0.4	53.8	54.2
Additions	–	1.3	1.3
Disposals	–	(0.3)	(0.3)
At 31 December 2008	0.4	54.8	55.2
Accumulated depreciation and impairment			
At 1 January 2007	1.0	36.9	37.9
Charge for year	0.1	2.3	2.4
Disposals	–	0.6	0.6
Classified as held for sale	(1.0)	(1.0)	(2.0)
At 1 January 2008	0.1	38.8	38.9
Charge for year	0.2	2.4	2.6
Disposals	–	(0.5)	(0.5)
At 31 December 2008	0.3	40.7	41.0
Net book value at 31 December 2008	0.1	14.1	14.2
Net book value at 31 December 2007	0.3	15.0	15.3

Disposals relate to fair value adjustments held at Group in relation to Virgin Radio.

14. Inventories

	2008 £m	2007 £m
Film rights	16.3	15.1
Recorded programmes and films	25.6	25.2
	41.9	40.3

Inventories recognised as an expense during the year are included within operating expenses analysed in note 4.

Included within the above is £nil (2007: £0.2m) of inventories held at fair value less costs to sell.

Notes to the Financial Statements continued

for the year ended 31 December 2008

15. Trade and other receivables

	2008 £m	2007 £m
Trade receivables	8.7	14.8
Less: Provision for impairment of receivables	(0.2)	(0.4)
Trade receivables – net	8.5	14.4
Prepayments and accrued income	10.5	17.6
Other receivables	5.0	3.7
	24.0	35.7

As of the 31 December 2008, trade receivables of £1.6m (2007: £0.7m) are past due. These are net of a provision for bad debts of £0.2m (2007: £0.4m). Trade receivables relate to a number of independent customers for whom there is no recent history of default. The aging analysis of the trade receivables is as follows:

	Gross £m	2008 Provision £m	Gross £m	2007 Provision £m
Up to three months	7.8	–	13.8	–
Three to five months	0.1	–	0.1	–
Over five months	0.8	(0.2)	0.9	(0.4)
	8.7	(0.2)	14.8	(0.4)

The directors consider that the carrying amount of trade and other receivables approximates their fair value. All receivables are expected to be recovered.

16. Cash and cash equivalents

	2008 £m	2007 £m
Cash and cash equivalents	13.0	10.8
Short-term deposits	1.0	1.4

The short-term bank deposit relates to £1.0m (2007: £1.4m) placed in Escrow for use by GMT in relation to certain planning consents currently being sought by Primesight.

17. Trade and other payables

	2008 £m	2007 £m
Amounts falling due within one year		
Trade and other payables	20.3	25.1
Social security and other taxes	1.2	2.9
Other payables	3.6	2.7
	25.1	30.7
Amounts falling due after one year		
Trade and other payables	0.1	0.3

The directors consider that the carrying amount of trade and other payables approximates their fair value.

17. Trade and other payables (continued)

The aging analysis of the trade payables is as follows:

	2008 £m	2007 £m
Within one year	25.1	25.1
Due within one to two years	0.1	0.3
	25.2	25.4

The Company's policy is to settle the terms of payment with suppliers when agreeing terms of payment by inclusion of the relevant terms in contracts; and to pay in accordance with its contractual and other legal obligations. Trade creditors of the Group at 31 December 2008 were equivalent to 45 days of purchases (2007: 46 days).

18. Borrowings

	2008 £m	2007 £m
Bank loans	53.8	62.0
The borrowings are repayable as follows:		
Expiring in two to five years	53.8	62.0

All undrawn committed borrowing facilities are repayable within two to five years (2007: two to five years).

The directors consider that the value of current borrowings approximate their fair value.

The effective interest rates were as follows:

	2008 %	2007 %
Bank loans (floating)	8.3	8.6

A new £90.0m five-year credit facility was entered into on 27 December 2007. The facility consists of a £40.0m term facility, £45.0m revolving credit facility and £5.0m overdraft. Security has been provided to the debt provider under this new facility by way of cross-guarantees and a share pledge.

As a consequence of the sale of Virgin Radio on 30 June 2008, the credit facility has been reduced to £75.0m. The facility consists of a £25.0m term facility, £45.0m revolving credit facility and £5.0m overdraft.

19. Financial instruments

In accordance with IAS 39, Financial instruments: Recognition and measurement, the Group has reviewed any contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. The Group had no such embedded derivatives during the year.

Foreign exchange

The Group has minimal exposure to foreign exchange risk and it is Group policy to ensure that all material payments or receipts are fully hedged. At 31 December 2008 the Group had no forward foreign exchange contracts in place (2007: nil).

Notes to the Financial Statements continued

for the year ended 31 December 2008

20. Deferred tax

The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Total £m
At 1 January 2008	–	(4.9)	(4.9)
Charge/(credit) to income	(0.4)	1.7	1.3
Charge to equity	–	(8.1)	(8.1)
	(0.4)	(11.3)	(11.7)
Assets held for resale	(0.6)	–	(0.6)
At 31 December 2008	(1.0)	(11.3)	(12.3)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the current deferred tax balances (after offset):

	2008 £m	2007 £m
Deferred tax asset:		
Deferred tax to be recovered after more than one year	(12.0)	(4.6)
Deferred tax to be recovered within one year	(0.3)	(0.3)
	(12.3)	(4.9)
Net deferred tax asset	(12.3)	(4.9)

21. Provisions

	2008 £m	Cost of change Provisions 2007 £m	2008 £m	Other Provisions 2007 £m	2008 £m	Total Provisions 2007 £m
At 1 January	3.0	1.4	3.1	–	6.1	1.4
Provided during the year	1.3	5.6	3.1	3.2	4.4	8.8
Utilised during the year	(3.6)	(4.0)	(1.5)	(0.1)	(5.1)	(4.1)
At 31 December	0.7	3.0	4.7	3.1	5.4	6.1

	2008 £m	Cost of change Provisions 2007 £m	2008 £m	Other Provisions 2007 £m	2008 £m	Total Provisions 2007 £m
The provisions are expected to be utilised:						
Within one year	0.7	3.0	0.8	0.9	1.5	3.9
Greater than one year	–	–	3.9	2.2	3.9	2.2
	0.7	3.0	4.7	3.1	5.4	6.1

A provision of £1.3m has been recognised in the year in relation to restructuring within the Ventures division with all remaining balances relating to PeoplesChampion.com and Smartycars.com being written off.

A provision of £5.6m was provided in 2007 following the announcement of restructuring plans principally across all areas of the Group's Television business in relation to the execution of the new turnaround strategy.

£3.1m has been provided in the year in respect of a shortfall on a sub-lease of surplus property at the Group's Pacific Quay, Glasgow premises. The space has become surplus to operational requirements following headcount reductions over the last 18 months.

22. Share capital

	Number of shares (thousands)	Ordinary shares £m	Share premium £m	Total £m
At 1 January 2008	950,853	23.8	136.3	160.1
Issued during the year	820	–	–	–
Share buy-back	(522)	–	–	–
Tender offer – return of capital	(230,769)	(5.8)	(25.0)	(30.8)
	720,382	18.0	111.3	129.3
Share consolidation (1 for 20)	(684,363)	–	–	–
At 31 December 2008	36,019	18.0	111.3	129.3

Tender offer

The Tender offer which received shareholder approval at a General Meeting of the Company on 23 September 2008 closed at 1.00pm on 25 September 2008 with a strike price of 13.0p per SMG share. All valid tenders of each shareholder's first 10,000 SMG shares or less which were submitted as strike price tenders or at prices below the strike price were accepted in full. All other valid tenders which were submitted at a price below the strike price were also accepted in full, whilst tenders submitted at the strike price were accepted, subject to pro rata scale back so that approximately 48.7% of such ordinary shares were repurchased. Tenders at prices above 13.0p were not accepted.

The Tender resulted in 230,769,197 SMG shares (representing approximately 24.3% of the issued share capital of SMG) being repurchased at a total cost (including purchase expenses of £0.8m) of £30.8m. All SMG shares repurchased were cancelled. Following this cancellation, the number of SMG shares in issue was 720,382,690.

Share consolidation

Also as a result of the shareholder approval obtained on 23 September, the Company effected a share consolidation whereby SMG shareholders received 1 new SMG share for every 20 existing SMG shares registered in their name. Following the Share consolidation, the number of ordinary shares in issue was 36,019,135.

Following the completion of the tender offer and share consolidation process, the Company changed its name to stv group plc.

23. Statement of changes in shareholders' equity

	Share Capital £m	Share Premium £m	Other reserve £m	Equity reserve £m	Minority interest £m	Retained earnings £m
At 1 January 2008	23.8	136.3	1.2	2.5	(0.2)	(273.3)
Net loss	–	–	–	–	–	(27.4)
Capital return (see note 22)	(5.8)	(25.0)	–	–	–	–
Movement in IFRS 2 reserve	–	–	(0.5)	–	–	–
Movement in own shares	–	–	–	–	–	0.1
Equity reserve release	–	–	–	(2.5)	–	2.5
Actuarial loss	–	–	–	–	–	(30.2)
Deferred tax thereon	–	–	–	–	–	8.1
Minority interest written off	–	–	–	–	0.2	–
Release of hedging reserve	–	–	–	–	–	(0.3)
At 31 December 2008	18.0	111.3	0.7	–	–	(320.5)
					2008 £m	2007 £m
Retained earnings excluding pension liability					(293.5)	(264.2)
Amount relating to defined benefit pension scheme liability, net of related deferred tax					(27.0)	(9.1)
					(320.5)	(273.3)

There has been no movement in the merger reserve during the years ended 31 December 2008 and 31 December 2007.

Notes to the Financial Statements continued

for the year ended 31 December 2008

24. Disposal of discontinued operations

As referred to in note 8, on 30 June 2008 the Group disposed of its interest in Virgin Radio.

The assets of Virgin Radio at the date of disposal and at 31 December 2007 were as follows:

	30 June 2008 £m	2007 £m
Property, plant and equipment	3.2	3.2
Investments	0.1	-
Trade and other receivables	10.8	6.8
Cash and cash equivalents	1.1	1.6
Trade and other payables	(5.4)	(4.7)
Tax liabilities	(0.1)	-
Attributable goodwill	55.8	55.8
Working capital adjustment agreed as part of disposal	(0.2)	-
	65.3	62.7
Disposal expenses	5.4	
Loss on disposal	(17.5)	
Total consideration	53.2	
Satisfied by:		
Cash	53.2	
Net cash inflow arising on disposal:		
Cash consideration	46.9	

The Group disposed of its interest in Primesight on 30 October 2007. The assets of Primesight at the date of disposal were as follows:

	30 October 2007 £m
Property, plant and equipment	19.6
Inventories	0.2
Trade and other receivables	5.8
Cash and cash equivalents	(0.3)
Trade and other payables	(0.4)
Tax liabilities	(1.8)
Attributable goodwill	32.4
Working capital adjustment agreed as part of disposal	1.1
	56.6
Disposal expenses	3.3
Loss on disposal	(5.7)
Total consideration	54.2
Satisfied by:	
Cash	52.0
Funds placed in Escrow	(1.4)
Deferred consideration (discounted £5.0m deferred loan note)	3.6
	54.2
Net cash inflow arising on disposal:	
Cash consideration	47.3

25. Notes to the cash flow statement

	2008 £m	Restated 2007 £m
Continuing operations		
Operating profit (before exceptional items)	13.2	11.1
Depreciation and other non-cash items	1.7	1.4
Operating cash flows before movements in working capital	14.9	12.5
Increase in inventories	(3.6)	(5.6)
Decrease in trade and other receivables	1.7	6.5
(Decrease)/increase in trade and other payables	(1.4)	2.4
	11.6	15.8
Costs of change costs	(3.3)	(4.1)
Onerous property costs	(1.4)	-
Cash generated from continuing operations	6.9	11.7
Discontinued operations		
Operating profit (before exceptional items)	1.5	9.0
Depreciation and other non-cash items	(1.2)	(1.6)
Operating cash flows before movements in working capital	0.3	7.4
Decrease/(increase) in trade and other receivables	5.9	(2.2)
Decrease in trade and other payables	(3.0)	(1.7)
	3.2	3.5
Onerous contract costs	(8.0)	(3.5)
Cash flow for discontinued operations	(4.8)	-
Cash generated from operations	2.1	11.7

The 2007 discontinued depreciation and other non-cash items and onerous contract costs totalling £5.1m have been restated to split out the non-cash interest of £1.6m and cash spend of £3.5m.

26. Analysis of movements in net debt

	At 1 January 2008 £m	Cash flow £m	At 31 December 2008 £m
Cash and cash equivalents	10.8	2.2	13.0
Cash and cash equivalents included in the disposal groups held for sale (note 8)	2.7	0.7	3.4
	13.5	2.9	16.4
Bank borrowings	(62.0)	8.2	(53.8)
Short-term deposits	1.4	(0.4)	1.0
Net debt	(47.1)	10.7	(36.4)

27. Capital commitments

At 31 December 2008 the Group had no contracted for but not provided capital commitments (2007: nil).

Notes to the Financial Statements continued

for the year ended 31 December 2008

28. Operating lease commitments

	2008 £m	2007 £m
Minimum lease payments under operating leases recognised in income for the year	5.9	6.6

At 31 December the Group had minimum commitments in respect of non-cancellable operating leases for leasehold buildings as follows:

	2008 £m	2007 £m
Expiring within two to five years	0.2	0.4
Expiring in over five years	39.4	42.5
	39.6	42.9

29. Contingent liabilities

The Group has a 100% holding in both Scottish Media Group (Holdings) and Dawn Chorus Holdings, which are unlimited companies.

30. Transactions with related parties

There were no transactions with any related parties during the year.

Key management personnel are deemed to be the executive and non-executive directors of the Group, as they have authority and responsibility for controlling the Group's activities.

Key management remuneration is detailed as follows:

	2008 £m	2007 £m
Salaries and short-term employee benefits	1.3	1.6

There have been no other transactions with key management personnel as defined under IAS 24.

31. Retirement benefit schemes

Defined contribution schemes

The Group operates two money purchase schemes, the SMG Pension Scheme and the Pearl & Dean Cinemas Pension Scheme, for which the pension cost charge for the year amounted to £0.3m (2007: £0.5m).

Defined benefit schemes

The Group operates two defined benefit pension schemes. The schemes are trustee administered and the schemes' assets are held independently of the Group's finances. Pension costs are assessed in accordance with the advice of an independent professionally qualified actuary.

The schemes are the Scottish and Grampian Television Retirement Benefit Scheme and the Caledonian Publishing Pension Scheme. They are closed schemes and therefore under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

A full actuarial valuation of the schemes was carried out at 1 January 2006 and updated to 31 December 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 December 2008	At 31 December 2007
Rate of increase in salaries	3.3%	3.6%
Rate of increase of pensions in payment	2.8%	3.1%
Discount rate	6.6%	6.0%
Inflation	2.8%	3.1%

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

31. Retirement benefit schemes (continued)

The average life expectancy in years of a pensioner retiring at age 65 is as follows:

	At 31 December 2008 Years	At 31 December 2007 Years
Retiring at balance sheet date:		
Male	15.0	15.0
Female	17.9	17.9
Retiring in 20 years:		
Male	16.6	16.6
Female	19.5	19.5

Amount charged to operating profit

	2008 £m	2007 £m
Current service cost – defined benefit	(1.1)	(1.7)

The total amount charged to profit from operations is £1.4m (2007: £2.2m), which also includes the defined contribution charge of £0.3m (2007: £0.5m).

Actuarial gains and losses have been included in the statement of recognised income and expense.

Amount credited to net finance costs

	At 31 December 2008 £m	At 31 December 2007 £m
Expected return on scheme assets	18.1	17.9
Interest cost	(16.2)	(15.1)
	1.9	2.8

Amount recognised in statement of recognised income and expense

	2008 £m	2007 £m
Actual return less expected return on pension assets	(58.2)	(8.2)
Experience gains and losses	(28.0)	(32.9)
Changes in assumptions	56.0	65.8
	(30.2)	24.7

The fair value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at each balance sheet date was:

	At 31 December 2008 £m	At 31 December 2007 £m	At 31 December 2006 £m	At 31 December 2005 £m
Equities	108.6	143.2	145.9	146.2
Bonds	106.7	121.9	114.7	109.6
Fair value of schemes' assets	215.3	265.1	260.6	255.8
Present value of defined benefit obligations	(253.6)	(279.1)	(307.3)	(308.8)
Deficit in the schemes	(38.3)	(14.0)	(46.7)	(53.0)
Equities	8.0%	8.0%	8.4%	8.0%
Bonds	3.7%-6.6%	4.4%-6.1%	4.6%-5.2%	4.1%-4.9%

A related offsetting deferred tax asset of £11.3m (2007: £4.9m) is included under non-current assets. Therefore the net pension scheme deficit amounts to £27.0m at 31 December 2008 (£9.1m at 31 December 2007).

Notes to the Financial Statements continued

for the year ended 31 December 2008

31. Retirement benefit schemes (continued)

The movement in the aggregate scheme deficits during the year was principally due to the movement in the return on assets being different from expectation.

The movement in the fair value of the schemes' assets during the year is shown as follows:

	2008 £m	2007 £m
At 1 January	265.1	260.6
Expected return on plan assets	18.1	17.9
Actuarial losses	(58.2)	(8.2)
Employer contributions	5.0	6.9
Employee contributions	0.5	0.6
Benefits paid from plan/Company	(15.2)	(12.7)
At 31 December	215.3	265.1

Movement in the defined benefit obligation is as follows:

	2008 £m	2007 £m
At 1 January	279.1	307.3
Current service cost	1.1	1.7
Interest cost	16.2	15.1
Contributions from plan participants	0.5	0.6
Actuarial gains	(28.0)	(32.9)
Benefits paid from plan/Company	(15.3)	(12.7)
At 31 December	253.6	279.1

The actual return on plan assets for the year was (£40.1m) (2007: £9.7m).

History of experience gains and losses

	At 31 December 2008	At 31 December 2007	At 31 December 2006	At 31 December 2005
Difference between the expected and actual return on scheme assets:				
Amount (£m)	(58.2)	(8.2)	(1.9)	22.4
Percentage of scheme assets	(27%)	(3%)	(1%)	9%
Experience gains and losses on scheme liabilities:				
Amount (£m)	(28.0)	(32.9)	(7.1)	(22.2)
Percentage of the present value of scheme liabilities	(11%)	(12%)	(2%)	(7%)
Total amount recognised in statement of recognised income and expense:				
Amount (£m)	(30.2)	24.7	4.1	45.0
Percentage of the present value of scheme liabilities	(16%)	9%	1%	15%

The estimated amounts of contributions expected to be paid to the scheme during 2009 is £1.6m.

32.Share-based payments

Equity-settled share option plans

The Group Executive and Company share option plans provide for a grant price approximately equal to the quoted market price at the date of grant. The vesting period is generally three years. If the options remained unexercised after a period of seven to ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

	2008 Executive share option scheme		Restated 2007 Executive share option scheme	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at 1 January	1,535,355	0.85	3,523,657	1.35
Rights issue adjustment	221,603	0.11	507,407	0.17
Revised outstanding at 1 January	1,756,958	0.74	4,031,064	1.18
Expired	1,589,592	0.71	2,274,106	1.51
Outstanding at 31 December	167,366	1.01	1,756,958	0.74
Exercisable at 31 December	167,366	1.01	1,756,958	0.74
Outstanding and exercisable at 31 December adjusted for share consolidation	8,046	21.01	84,469	15.39

	2008 Company share option scheme		Restated 2007 Company share option scheme	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at 1 January	724,308	2.35	1,214,976	2.20
Rights issue adjustment	104,586	0.30	174,957	0.28
Revised outstanding at 1 January	828,894	2.05	1,389,933	1.92
Expired	456,801	1.70	561,039	1.74
Outstanding at 31 December	372,093	2.49	828,894	2.05
Exercisable at 31 December	372,093	2.49	828,894	2.05
Outstanding and exercisable at 31 December adjusted for share consolidation	17,874	51.79	39,851	42.64

The Executive scheme options outstanding at 31 December 2008, adjusted for the share consolidation, have a weighted average exercise price of £21.01 (2007: £15.39), and a weighted average remaining contractual life of nil (2007: 12) months.

No options were exercised during the current or previous year for the Executive share options scheme.

The Company scheme options outstanding at 31 December 2008, adjusted for the share consolidation, have a weighted average exercise price of £51.79 (2007: £42.64), and a weighted average remaining contractual life of 12 (2007: 24) months.

No options were exercised during the current or previous year for the Company share option scheme.

The exercise prices for options under both schemes, adjusted for the share consolidation, range from £11.82 to £59.09.

No new awards were made during 2007 and 2008.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. Expected life is the average expected period to exercise. The risk-free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. Expected dividend yield is based on the average dividend yield over the previous three years prior to the award.

Notes to the Financial Statements continued

for the year ended 31 December 2008

32. Share-based payments (continued)

Other share-based payment plans

The employee Sharesave plans (three years and five years) were offered until 2004, at which time they were open to almost all employees. They provided for a grant price approximately equal to the quoted market price at the date of grant. The shares can be purchased once or twice a year in the six-week period following announcement of the annual and interim results. The exercise prices for options under both Sharesave schemes, adjusted for the share consolidation, range from £11.82 to £47.27. At 31 December 2008, adjusted for the share consolidation there were 3,064 (2007: 18,849) options outstanding under the schemes with a weighted average exercise price of £19.09 (2007: £14.14) per option. During the current period, 15,781 options adjusted for the share consolidation expired. The Sharesave plans were replaced in 2005 by the Share Incentive Plan.

The Long-Term Incentive Plan is for executive directors and other senior executives. The performance criteria for this scheme are based on a combination of earnings growth and total shareholder return and as such have been valued using both Black & Scholes and Monte Carlo models respectively. The Group issued options over 1,091,978 ordinary shares, adjusted for the share consolidation in 2008 (2007: 268,759). At 31 December 2008, adjusted for the share consolidation, there were 1,391,237 (2007: 316,278) options outstanding under this scheme, with a weighted average fair value of £1.25 per option at 31 December 2008 (2007: £3.74).

IFRS 2 – Analysis of fair values

Following the introduction of IFRS 2 (Share-based Payments), companies are required to account for the cost of share-based payments made to employees. All options awarded post 7 November 2002 are required to be accounted for. Any options prior to this date can only be accounted for where the fair value of the awards made has been publicly disclosed by the Company. The fair value of each of the awards has been determined using the Black & Scholes model or Monte Carlo model as relevant.

The Group Executive and Company share option plans and Sharesave scheme have been valued using the Black & Scholes model. The vesting of awards under the Performance Share Plan is contingent upon the Company achieving both Total Shareholder Return and EBITDA growth targets and as such the scheme is valued using both the Black & Scholes and Monte Carlo models. The fair values of each of the schemes, as determined at the grant date, are detailed below.

Analysis of fair values: Company and Executive Share Options and Sharesave (adjusted for share consolidation)

Date of award	Company Share Option Scheme	Executive Share Option Scheme	Sharesave Three-Year Scheme	Sharesave Five-Year Scheme
10 Jun 97	£4.00			
11 Mar 98	£5.82	£5.82		
08 Sep 98	£5.27	£5.27		
12 Mar 99	£6.91	£6.91		
06 Sep 99	£7.27	£7.27		
01 Dec 99				£12.73
23 Feb 00	£10.18	£10.18		
01 May 00				£12.55
22 Aug 00	£10.18	£10.18		
01 Nov 00				£10.00
27 Feb 01	£16.36	£16.36		
09 Apr 01	£11.64	£11.64		
01 May 01			£7.81	£12.18
11 Jun 01	£14.00	£14.00		
24 Sep 01		£7.09		
22 Oct 01	£7.09	£7.09		
19 Apr 02	£9.64	£9.64		
01 Jun 02			£9.64	£12.36
11 Sep 02		£6.18		
10 Mar 03	£4.00	£4.00		
01 Jul 03			£5.45	£6.91
12 Mar 04	£8.00	£8.00		
01 Jul 04			£7.09	£8.36

32.Share-based payments (continued)

Analysis of fair values: Performance Share Plan

Date of award	Performance Share Plan (Black & Scholes)	Performance Share Plan (Monte Carlo)
27 Feb 01	£41.09	£25.27
24 Sep 01	£18.00	£9.09
19 Apr 02	£24.73	£13.82
10 Mar 03	£10.73	£5.45
12 Mar 04	£19.82	£13.82
06 Jun 05	£15.45	£8.55
14 Mar 06	£14.00	£8.73
12 Jul 07	-	£2.08
11 Apr 08	-	£0.82

33.Reconciliation of underlying results

	2008 £m	Continuing 2007 £m	Discontinued 2008 £m	Discontinued 2007 £m	2008 £m	Group underlying results 2007 £m
Pre IFRS 5 and IAS 19 notional non-cash interest credit:						
Operating profit	13.2	8.3	1.0	5.3	14.2	13.6
Profit before tax	9.4	(3.7)	1.0	5.3	10.4	1.6
Pre IFRS 5 only:						
Operating profit	13.2	11.1	1.0	5.3	14.2	16.4
Profit/(loss) before tax	11.3	(0.9)	1.0	5.3	12.3	4.4

EPS is calculated based on profit adjusted for tax at 10% (2007: 10%) using the weighted average number of shares in issue per note 11. The 2007 EPS figures have been adjusted to take account of the 1 for 20 share consolidation.

stv group plc Company Financial Statements

Independent Auditors' Report to the Members of stv group plc

We have audited the parent company financial statements of stv group plc for the year ended 31 December 2008 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Committee Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Remuneration Committee Report and the parent company financial statements in accordance with applicable law and United Kingdom 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 Remuneration Committee Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises all of the component parts of 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.

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 Remuneration Committee Report to be audited. It also includes an assessment of the significant estimates and judgements 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 Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985; and

the information given in the Directors' Report is consistent with the parent company financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

26 February 2009

Company Balance Sheet

at 31 December 2008

	Note	2008 £m	2007 £m
Fixed assets			
Investments	2	301.8	355.6
Current assets			
Debtors and prepayments	3	246.8	130.1
Cash at bank and in hand		1.0	—
Cash in Escrow		1.0	—
Corporation tax		4.0	5.0
		252.8	135.1
Creditors: amounts falling due within one year			
Creditors and accrued charges	4	(31.5)	(18.2)
Provisions		(0.9)	—
		(32.4)	(18.2)
Net current assets		220.4	116.9
Total assets less current liabilities		522.2	472.5
Creditors: amounts falling due after more than one year			
Creditors and accrued charges	5	(304.5)	(201.2)
Bank loans		(53.8)	(114.5)
		(358.3)	(315.7)
Net assets		163.9	156.8
Capital and reserves			
Called up share capital	6	18.0	23.8
Share premium account	6	111.3	136.3
Profit and loss reserves	6	33.9	(4.5)
Other reserve	6	0.7	1.2
Total equity shareholders' funds		163.9	156.8

The accompanying notes are an integral part of this balance sheet.

The financial statements on pages 94 to 97 were approved by the Board on 26 February 2009 and were signed on its behalf by:

Rob Woodward
Director



George Watt
Director



Notes to the Company Financial Statements

for the year ended 31 December 2008

1. Accounting policies

Accounting convention and basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 1985. The separate financial statements have been prepared in accordance with all applicable UK Accounting Standards and have been prepared under the historical cost convention, in accordance with applicable accounting standards on a going concern basis.

Basis of consolidation

As permitted under Section 230 of the Companies Act 1985, no separate income statement for the holding Company is presented. The consolidated financial statements as presented within the Annual Report include the results of stv group plc, the holding company, and all of its subsidiaries and associated undertakings up to 31 December 2008.

Cash flow statement

A cash flow statement has not been included within these financial statements in accordance with the exemption available within FRS 1 (Revised).

Investments

Fixed asset investments are stated at cost, less any provision for impairment.

Impairment

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying value exceeds its recoverable amount.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will ultimately vest.

Full disclosure of share-based payment awards is provided as a note within the Group's financial statements.

Dividends

The liability for final dividends is recorded when the dividends are approved by the Company's shareholders.

For interim dividends, the liability is recorded when the dividends are paid.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

The taxation liabilities of certain Group Companies are reduced wholly or in part by losses surrendered by other Group Companies. The tax benefits arising from Group relief are recognised in the accounts of the surrendering and recipient companies.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Company Financial Statements continued

for the year ended 31 December 2008

2. Investments

	2008 £m	2007 £m
At 1 January	355.6	405.4
Impairment writedown	(53.8)	(49.8)
At 31 December	301.8	355.6

The impairment writedown in 2008 relates to SMG Jersey (£51.6m) and stv Out of Home (£2.2m).

The carrying values of the Company's investments were reviewed during the year to determine whether they continued to be appropriate. This involved a review of the underlying business and entity valuations and resulted in impairment charges totalling £53.8m, principally related to the loss on sale of Virgin Radio and losses on the Vue onerous contract within Pearl & Dean.

The impairment writedown in 2007 relates to Virgin Radio (£49.2m) and PeoplesChampion (£0.6m).

Subsidiary undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to the subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the results of the Group:

Undertaking	Country of incorporation or registration and operation	Principal activity
stv Central Limited	Scotland	Television broadcasting
stv North Limited	Scotland	Television broadcasting
stv Productions Limited	Scotland	Programme production
Ginger Television Productions Limited	England	Programme production
Pearl & Dean Cinemas Limited	England	Cinema advertising

None of the above investments are held directly by stv group plc. The investments are stated in the balance sheet at cost less amounts written off for impairment in value. All shares are ordinary shares. All of the above investments are 100% shareholdings within the Group.

3. Debtors

	2008 £m	2007 £m
Amounts owed by group undertakings	227.1	114.1
Prepayments and accrued income	19.7	16.0
	246.8	130.1

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

4. Creditors: amounts falling due within one year

	2008 £m	2007 £m
Trade creditors and accruals	2.3	-
Amounts due to subsidiary undertakings	29.2	18.2
	31.5	18.2

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

	2008 £m	2007 £m
Deferred consideration	0.2	0.3
Amounts due to subsidiary undertakings	304.3	200.9
	304.5	201.2

The unsecured loan notes were paid during the year.

6. Reserves and movements in shareholders' funds

	Share Capital £m	Share Premium £m	Profit and loss reserves £m	Other reserve £m	Total £m
At 1 January 2008	23.8	136.3	(4.5)	1.2	156.8
Capital return	(5.8)	(25.0)	-	-	(30.8)
Movement in IFRS 2 reserve	-	-	-	(0.5)	(0.5)
Retained profit for the year	-	-	38.4	-	38.4
At 31 December 2008	18.0	111.3	33.9	0.7	163.9

The retained profit for the year of £38.4m includes an impairment writedown of £53.8m (refer note 2).

7. Transactions with related parties

There were no transactions with any related parties during the year other than those exempted from disclosure under FRS 8.

Five-Year Summary of Financial Statements

for the five years ended 31 December 2008

	2004 £m	2005* £m	IFRS 2006 £m	2007 £m	2008 £m
Revenue					
Continuing operations	201.2	137.0	125.6	120.3	111.2
Discontinued operations	–	73.0	65.6	65.0	33.3
Total revenue	201.2	210.0	191.2	185.3	144.5
Net operating expenses*	(173.2)	(178.8)	(172.8)	(165.2)	(129.8)
Operating profit*					
Continuing operations	28.0	24.1	15.8	11.1	13.2
Discontinued operations	–	7.1	2.6	9.0	1.5
Group operating profit*	28.0	31.2	18.4	20.1	14.7
Share of associates	2.4	–	–	–	–
Profit on ordinary activities before financing charges*	30.4	31.2	18.4	20.1	14.7
Net financing charges	(15.4)	(11.2)	(8.4)	(12.0)	(1.9)
Profit on ordinary activities before taxation*	15.0	20.0	10.0	8.1	12.8
Tax on ordinary activities	(0.3)	(4.8)	(0.6)	(0.8)	(1.3)
Profit on ordinary activities after taxation*	14.7	15.2	9.4	7.3	11.5
Dividends	(3.1)	(8.5)	(5.3)	(3.8)	–
Transferred to reserves*	11.6	6.7	4.1	3.5	11.5
Earnings per ordinary share (pence)** – basic	94.0	96.0	60.0	42.0	25.7
– diluted	94.0	96.0	60.0	42.0	25.7
Dividends per ordinary share (pence)**	50.0	58.0	24.0	–	–

* The 2005 results have been restated to split out the discontinued activities of the disposal groups consisting of Outdoor and Cinema divisions.

** The 2004, 2005, 2006 and 2007 earnings per ordinary share and dividends per ordinary share have been restated for the 1 for 20 share consolidation which took place in 2008.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Pacific Quay, Glasgow G51 1PQ on Wednesday 22 April 2009 at 10.30am for the purpose of considering the resolutions below.

Resolutions 1 to 7 (inclusive) will be proposed as ordinary resolutions and Resolutions 8 to 10 (inclusive) shall be proposed as special resolutions.

Ordinary resolutions

1. To consider and adopt the annual accounts of the Company for the financial year ended 31 December 2008 which includes the report by the directors, the Remuneration Report by the directors and the report by the auditors on the annual accounts and the auditable part of the Remuneration Report.
2. To approve the report by the directors on remuneration for the financial year ended 31 December 2008.

The Remuneration Report by the directors, which may be found on pages 40 to 56, gives details of the directors' remuneration for the year ended 31 December 2008 and sets out the Company's overall policy on directors' remuneration during the year.

As required by the Directors' Remuneration Report Regulations 2002, the Company's auditors, PricewaterhouseCoopers LLP, have audited those parts of the report capable of being audited.

3. To re-elect Rob Woodward as a director of the Company.

The Articles of Association require that every year a proportion of our directors retire and that all directors have to stand for re-election on the third anniversary of their election or re-election. This gives you the chance to confirm their appointments.

Biographical details of Rob Woodward can be found on page 33. Following formal performance evaluation, Mr Woodward's performance continues to be effective and to demonstrate commitment to the role.

4. To re-elect Matthew Peacock as a director of the Company.

The Articles of Association require that every year a proportion of our directors retire and that all directors have to stand for re-election on the third anniversary of their election or re-election. This gives you the chance to confirm their appointments.

Biographical details of Matthew Peacock can be found on page 33. Following formal performance evaluation, Mr Peacock's performance continues to be effective and to demonstrate commitment to the role.

5. To re-elect Jamie Matheson as a director of the Company.

The Articles of Association require that every year a proportion of our directors retire and that all directors have to stand for re-election on the third anniversary of their election or re-election. This gives you the chance to confirm their appointments.

Biographical details of Jamie Matheson can be found on page 33 and the Board confirms that he meets the independence criteria as set out in A.3.1 of the revised Combined Code. Following formal performance evaluation, Mr Matheson's performance continues to be effective and to demonstrate commitment to the role.

6. To re-appoint PricewaterhouseCoopers LLP as the auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid and to authorise the Audit Committee to fix the remuneration of the auditors.
7. To grant the directors authority to allot shares.

We will be asking you to vote on the following ordinary resolution:

"That the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £6,003,189 such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of the resolution, but so that the directors may at any time prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired and further;

Notice of Annual General Meeting continued

That the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) in connection with a rights issue in favour of ordinary shareholders of the Company where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them in the Company up to an aggregate nominal amount of £6,003,189 provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of the resolution, but so that the directors may at any time prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired."

The directors require the authority of shareholders to allot the Company's shares and the first part of this resolution extends for a further year the general authority for the directors to allot a limited number of ordinary shares (12,006,378 shares representing one third of the ordinary issued share capital at 26 February 2009 excluding treasury shares, none of which are held by the Company) to provide the flexibility to take advantage of business opportunities as they arise. The second part of this resolution allows the directors to allot a limited number of ordinary shares (12,006,378 shares representing one third of the issued share capital at 26 February 2009, excluding treasury shares, none of which are held by the Company) pursuant to a fully pre-emptive rights issue of the Company. The authority will terminate at the next Annual General Meeting of the Company, which must be held no later than 30 June 2010. The directors do not have any present intention of exercising this authority except to satisfy awards of shares under the Company's employee share schemes and no issue of ordinary shares will be made which would effectively alter control of the Company without the prior approval of the Company in general meeting.

Special resolutions

8. To dis-apply statutory pre-emption rights.

We will be asking you to vote on the following special resolution:

"That subject to the passing of resolution 7, the directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94(2) to 94(3A) of the Companies Act 1985) for cash pursuant to the authority conferred by resolution 7 as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of the ordinary shares of 50p each in the capital of the Company where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws or requirements of any recognised regulatory body or any Stock Exchange or otherwise in any territory; and*
- (b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) having, in the case of relevant shares (as defined in Section 94(5) of the Companies Act 1985) a nominal value or, in the case of other securities giving the right to subscribe or convert into relevant shares having a nominal value, not exceeding in the aggregate £900,478;*

The authority shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired."

When ordinary shares are issued for cash, they normally have to be offered, in the first instance, to existing holders of ordinary shares in proportion to their respective shareholdings. This resolution extends for a further year the authority granted to the directors to allot a limited number of ordinary shares (1,800,956 shares representing 5% of the ordinary issued share capital at 26 February 2009) other than to existing shareholders in proportion to their existing shareholdings. This again is to provide directors with the flexibility to take advantage of business opportunities as they arise. The authority will terminate at the next Annual General Meeting, which must be held no later than 30 June 2010. No issue of ordinary shares will be made which would effectively alter control of the Company without the prior approval of the Company in general meeting. The Board also confirms that no more than 7.5% of the issued share capital would be issued on a non pre-emptive basis in any three-year period.

9. To purchase the Company's own Shares.

We will be asking you to vote on the following special resolution:

"That the Company be and is hereby generally and unconditionally authorised pursuant to Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of ordinary shares of 50p each in the capital of the Company ("Shares") and the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to purchase the Shares, provided that:

- (a) the nominal value of the maximum number of Shares acquired pursuant to this authority shall not exceed £1,800,956;*
- (b) the minimum price which may be paid by the Company for a Share purchased pursuant to this authority shall be 50p;*
- (c) the maximum price which may be paid by the Company for a Share purchased pursuant to this authority shall not be more than the higher of: (i) 5% above the average of the middle market quotations for a Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Share is purchased; and (ii) the price stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation (EC2273/2003); and*
- (d) unless renewed, the authority conferred by this resolution shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company after passing of this resolution and the expiry of 12 months from the date of passing this resolution, save that the Company may before such expiry make a contract to purchase which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of such Shares after such expiry pursuant to such contract."*

This resolution seeks the authority of shareholders to allow the Company to purchase its own shares. The authority sought extends to 3,601,913 shares, representing 10% of the ordinary issued share capital in issue at 26 February 2009. The maximum price, which may be paid, amounts to not more than 5% above the average of the middle market quotations of the Company's shares for the five business days immediately preceding the date of purchase. The power will only be used if the Board is satisfied that it will be in the best interests of shareholders generally.

In exercising the authority to purchase the Company's shares, the directors intend to cancel any shares purchased but may, however, treat the shares that have been bought back as held in treasury and to the extent that any such shares are held in treasury, earnings per share will only be increased on a temporary basis, until such time as the shares are resold out of treasury stock.

As at 26 February 2009 warrants and options to subscribe for 1,434,173 of the Company's shares were outstanding, representing 3.98% of the ordinary shares in issue at 26 February 2009 (excluding treasury shares held by the Company) and 4.42% of the ordinary shares in the Company (excluding treasury shares held by the Company) following the exercise in full of this authority to purchase shares.

10. To allow general meetings to be held on 14 days notice.

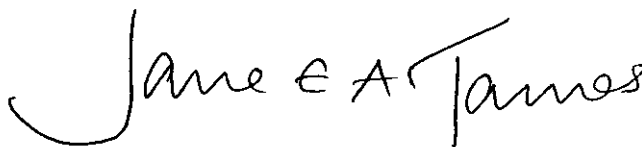
We will be asking you to vote on the following special resolution:

"That following the implementation of the EU Shareholder Rights Directive (2007/36/EC) in the UK, the Company be entitled to hold general meetings of the shareholders of the Company (with the exception of annual general meetings) on the provision of 14 clear days notice to the Company's shareholders."

The Articles of Association and the Companies Act currently permit the holding of general meetings on 14 days notice and this resolution is to preserve the position following the implementation of the EU Shareholders Rights Directive, which must be implemented by 3 August 2009.

By order of the Board

Jane E A Tames
Company Secretary
stv group plc
Pacific Quay
Glasgow G51 1PQ
26 February 2009



Notice of Annual General Meeting continued

Notes

- 1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Capita Registrars on 0871 664 0300 or ssd@capitaregistrars.com (calls cost 10p per minute plus network extras). Alternatively, you may appoint a proxy electronically at www.capitashareportal.com. Please see the notes to the form of proxy for further details.
- 2 To be valid any proxy form or other instrument appointing a proxy must be received by post or online or (during normal business hours only) by hand at Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR no later than 10.30am on 20 April 2009 or 48 hours before the time of any adjournment of the meeting.
- 3 The return of a completed proxy form, in writing or online or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
- 4 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- 5 The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
- 6 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on the date two days before the meeting (or, in the event of any adjournment, at 6.00pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 7 As at 25 February 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 36,019,135 ordinary shares of 50p each, carrying one vote each. Therefore, the total voting rights in the Company as at 26 February 2009 are 36,019,135.
- 8 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 9 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ("a CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland ("EUI") specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrars, Capita Registrars (IDRA10) by 10.30am on 20 April 2009 or 48 hours before the time of any adjournment of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 10 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 11 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 12 Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
- 13 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

Investor Information

Registrars

Capita Registrars
Northern House, Woodsome Park
Fenay Bridge, Huddersfield
West Yorkshire HD8 0LA
Tel: 0871 664 0300*
Tel: (overseas) +44 20 8639 3399
Fax: +44 (0) 1484 600 911
Email: ssd@capitaregistrars.com
Website: www.capitashareportal.com

Independent Auditors

PricewaterhouseCoopers LLP, Glasgow

Solicitors

Herbert Smith LLP;
Freshfields Bruckhaus Deringer LLP;
Burness LLP

Principal Bankers

Bank of Scotland plc

Stockbrokers

RBS Hoare Govett Limited

Secretary and Registered Office

Jane E A Tames
stv group plc
Pacific Quay
Glasgow G51 1PQ
Tel: 0141 300 3074
Email: jane.tames@stv.tv

Company Registration Number SC203873

Annual Report on Internet

The 2008 Annual Report of stv group plc including the financial statements is available at: www.stvplc.tv

Amalgamation of Accounts

Shareholders who receive duplicate sets of Company mailings because they have multiple accounts should write to the Registrars to have the accounts amalgamated.

Investor Relations

For investor enquiries please contact:
Kirstin Stevenson
Head of Communications
stv group plc
Pacific Quay
Glasgow G51 1PQ
Tel: 0141 300 3168
Email: kirstin.stevenson@stv.tv

Share Price Information

The share price of stv group plc is published in most newspapers and also in the United Kingdom on Ceefax and Teletext. The current price of the Company's shares (delayed by up to 15 minutes) can be obtained from the Company's website www.stvplc.tv

Individual Savings Accounts (ISAs)

The Company has Maxi and Mini ISAs which offer United Kingdom resident shareholders a simple, low-cost and tax-efficient way to invest in the Company's shares. Full details and an application form are available from Stocktrade, a division of Brewin Dolphin Securities Limited, on: 0131 240 0441.

Dividend Reinvestment Plan

stv group plc operates a Dividend Reinvestment Plan to provide United Kingdom shareholders with a facility to invest cash dividends by purchasing further stv group plc shares. Further details are available from the Registrar on: 0871 664 0381.*

Your Shareholding

You can check your shareholding at any time by visiting the Registrar's website at: www.capitashareportal.com

Capita Share Dealing Services

Capita offers a quick and easy share dealing service to buy or sell stv group plc shares. An online telephone dealing facility is available providing stv group plc shareholders with an easy to access and simple to use service. There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing services allow you to trade "real time" at a known price which will be given to you at the time you give your instruction. For further information on this service, or to buy and sell shares, please contact: www.capitadeal.com (online dealing); 0871 664 0454* (telephone dealing).

*Calls cost 10p per minute plus network extras.

A landmark year for *Taggart*

2008 was a landmark year for our drama, *Taggart*. First broadcast on ITV in 1983, the show celebrated its 25th anniversary and filmed its 100th episode. The team went into production with its largest ever commission, filming 10 hour-long episodes for ITV. Over its lifetime the series has been watched in nearly 200 countries around the world and sales continue to be strong, proving what a global superbrand *Taggart* has become.

1983
06 Sep Killer

1985
02 Jul Dead Ringer
23 Jul Murder in Season

1986
24 Feb Knife Edge
02 Sep Death Call

1987
15 Apr The Killing Philosophy
09 Sep Funeral Rites
31 Dec Cold Blood

1988
07 Sep Dead Giveaway
28 Sep Root of Evil
30 Dec Double Jeopardy

1989
05 Sep Flesh & Blood

1990
01 Jan Love Knot
22 Feb Hostile Witness
04 Sep Evil Eye
03 Dec Death Comes Softly
31 Dec Rogues Gallery

1992
01 Jan Violent Delights
09 Jan Nest of Vipers
30 Jan Double Exposure
17 Sep The Hit Man
08 Oct Ring of Deceit

1993
01 Jan Fatal Inheritance
16 Feb Death Benefits
20 Apr Gingerbread
11 May Death Without Dishonour
30 Sep Instrument of Justice

1994
01 Jan Forbidden Fruit
06 Oct Secrets
27 Oct Hellfire

1995
11 Jan Prayer for the Dead
25 Feb Black Orchid
26 Oct Legends

1996
04 Jan Devil's Advocate
21 Mar Angel Eyes
19 Sep Dead Man's Chest

1997
09 Jan Apocalypse
04 Sep Babushka

1998
01 Jan Berserker
01 Mar Out of Bounds
15 Jul Dead Reckoning
08 Oct A Few Bad Men

1999
16 Jan Blood Lines
10 Jul Fistful of Chips
07 Sep For Their Sins
21 Sep Fearful Lightening
01 Nov Long Time Dead

2000
15 Feb Ghost Rider
14 Sep Skin Deep
21 Sep Wavelength
28 Sep Football Crazy

2001
10 Jan Falling in Love

2002
14 Jan Death Trap
21 Jan Fire, Burn
08 Jul Watertight
15 Jul Friday Event
04 Dec Hardman
11 Dec Fade to Black
18 Dec Blood Money

2003
04 Jan New Life
11 Jan Bad Blood
18 Jan Halfway House
25 Jan An Eye for an Eye
12 Mar Atonement
30 Apr Compensation
07 Oct Penthouse & Pavement

2004
30 Dec Saints and Sinners

2005
06 Jan Puppet on a String
13 Jan The Wages of Sin
20 Jan The Ties That Bind
27 Jan In Camera
03 Feb Mind Over Matter
16 Sep Cause and Effect
23 Sep Taste of Money
30 Sep A Death Foretold
04 Nov Running Out of Time
11 Nov Cause to Kill
09 Dec Do or Die
16 Dec Dead Man Walking

2006
22 Mar Law
29 Mar The Best and the Brightest

2007
03 Jan Users and Losers
17 Jan The Thirteenth Step
30 Apr Tenement
04 Jul Pinnacle

2008
08 Jan Genesis
15 Jan Judgement Day
27 Feb Island
21 Apr Trust
28 Apr A Study in Murder
05 Jun Point of Light
14 Nov The Caring Game
08 Dec Homesick
15 Dec Crossing the Line
30 Dec Lifeline

2009
20 Feb Cold Reader

To be transmitted
Grass
The Knife Trick
So Long Baby
Fact and Fiction
I.O.U
Local Hero
The Rapture