

ITV plc preliminary results for year ended 31 December 2009

A strong platform for change

- ITV held EBITA before exceptional items at £202m (2008: £211m) in a declining television advertising market.
- Adjusted earnings per share flat at 1.8p* (2008: 1.8p).
- Cost savings of £169m delivered, ahead of £155m target for the year.
- Audience share held and share of the TV advertising market increased.
- Adjusted cashflows up by £200m and net debt reduced by over £100m.
- Pension deficit stands at £436m (2008: £178m), after £110m credit to reflect actions taken during the year.
- ITV television advertising revenues forecast to be up an estimated 7% in the first quarter of 2010, with early forecasts for April indicating revenues up 15-20%.
- Review of strategy underway.
- Adam Crozier joining ITV as Chief Executive on Monday, 26 April 2010.

* ITV has amended its calculation of adjusted profit and adjusted EPS as set out below

John Cresswell, Interim Chief Executive, ITV plc, said:

“Faced with the worst television advertising downturn on record, we took decisive action to improve our operational performance, deliver substantial cost savings and strengthen our balance sheet.

“We won back share of the TV advertising market, grew our audiences in peak time and online, and increased our international production presence. We took out costs of £169m, substantially reduced our headcount and lowered net debt by over £100m.

“Whilst ITV advertising revenues are up 7% in the first quarter, this is against the unprecedented declines of the previous year and, over the medium term, we remain cautious. We recognise also that ITV still faces formidable challenges. However, with the concerted action we have taken, ITV can address these from a stronger position, both financially and operationally.”

Archie Norman, Chairman, ITV plc, said:

“Over the last year the team has secured the platform for change - and change is now an imperative. The way people consume media is being transformed and the consequences for established broadcasters will be profound.

“Under Adam Crozier’s leadership, ITV will set out on the journey to become a very different business over the next five years. ITV’s challenge is to reduce its dependence on a free-to-air model threatened by digital media and besieged by legacy regulation. We have great talent and a strong brand and our future is in our own hands.”

Broadcasting

ITV television advertising revenues were down 9% at £1,291m (2008: £1,425m), ahead of the total market which was down 11%.

Despite reduced programming spend, ITV channels delivered a strong on-screen performance:

- ITV channels share of peak time viewing was 28.2% (2008: 27.8%)
- ITV channels share of commercial impacts was 40% (2008: 41%)
- ITV1 share of commercial impacts was down 5% (2008: down 6%)

Online

itv.com continued to demonstrate the potential for ITV online, with video views reaching 215m (2008: 85m) and monthly unique users increasing by 33% to 8.7m. However ITV trails key competitors in terms of online viewing and online revenues remain limited in relation to the market opportunity. Excluding Friends Reunited, ITV's online revenues were £24m (2008: £18m).

ITV Studios

ITV Studios held EBITA stable at £91m (2008: £90m). ITV's UK production business had a challenging year, impacted by a significant reduction in ITV commissions. Overall revenues were down 4% at £597m, with UK decline offset by growth in international production helped by a currency benefit of £23m.

Strategy Review

ITV has embarked on a strategy review which will help map out the journey of change in channel strategy, content development, culture and organisation required to return ITV to sustainable earnings growth. This review will also help determine the nature and extent of any further investment required.

Cost savings and investment

Across 2009, ITV delivered £50m of efficiency savings and reduced schedule costs by £119m. ITV continues to keep a tight rein on costs in 2010 and programming budgets have been set for the year with no increase in schedule costs. Any near term increase in spend will depend on greater certainty regarding the outlook for market growth and the potential return via on-screen performance. ITV continues to invest to support the launch of ITV1 HD, ITV1+1 and Canvas.

Current trading and outlook

The marked bounce-back in advertising spend in early 2010 should be seen against the context of steep declines last year. In the second half and particularly the fourth quarter, comparatives are more challenging and the wider economic outlook after the forthcoming election remains uncertain. In the light of advertising market volatility and limited revenue visibility, ITV continues to plan on a cautious basis.

Over the seven weeks to 21 February, share of commercial impacts for ITV channels stood at 40.6% (2009: 40.7%) and for ITV1 at 28.5% (2009: 29.4%).

Financial position

Early action to secure the balance sheet resulted in substantial re-phasing of liabilities and improvement in cash flow. Profit to cash conversion increased significantly with adjusted operating cash flow increased by £200m to £358m.

Since the year end, ITV has bought back a further £23m of its 2011 bonds and £42m of its 2015 bonds. Net of currency hedges, ITV's debt repayment in 2011 has been reduced to £15m. The 2015 bond repayment has been reduced to £383m.

Pension

The increase in the deficit on an IAS 19 basis reflects higher assumed inflation and a lower discount rate both of which increased expected future liabilities, partly offset by an increase in asset values, deficit funding and benefits estimated at £110m from changes to the Defined Benefit scheme.

ITV continues to consult with the Trustees over its proposal to use SDN to provide asset backing to the scheme.

Regulation

ITV remains one of Britain's most highly regulated companies and strongly believes that the inheritance of legacy regulation is detrimental to the interests of the UK's creative industries as a whole. In the light of the Competition Commission's draft ruling, ITV expects no material change in CRR and very limited regulatory relief in the current year.

Dividend

In the light of the continuing economic uncertainty, the Board is not proposing the payment of a final dividend.

Changes to adjusted profit and earnings

ITV has changed its calculation of adjusted profit and EPS to exclude certain non-cash items including imputed pension interest and the mark to market on swaps and to include amortisation costs in relation to internally-generated intangible assets. On this basis, adjusted earnings per share were 1.8p (2008: 1.8p). On the prior basis, adjusted earnings for 2009 would have been 1.5p (2008: 2.7p).

Board and Chief Executive

Following Archie Norman's appointment as Chairman, the Board has been streamlined with the departure of four non-executive directors. Mike Clasper has taken on the role as Senior Independent Director. In addition, Baroness Prashar has informed the Board that, in the light of her other commitments, she will be retiring from the Board prior to the AGM.

Adam Crozier will join ITV plc as Chief Executive on Monday, 26 April 2010.

NOTES TO EDITORS

1. The full ITV plc Report and Accounts 2009 will be available from 22 March 2010 at <http://www.itvplc.com>

2. **Financial summary:**

12 months to 31 December (£m)	2009	2008	Change %
Group revenue	1,879	2,029	-7
EBITA before exceptional items	202	211	-4
Broadcasting and Online	111	120	-8
ITV Studios	91	90	+1
Profit / (Loss) before tax			
Reported	25	(2,732)	-
Adjusted*	108	112	-4
Net debt	612	730	-
EPS (pence per share)			
Reported	2.3	(65.9)	-
Adjusted*	1.8	1.8	-

* before exceptional items, amortisation, impairment of acquired intangible assets, and financing cost and tax adjustments, including exclusion of imputed pension interest and mark to market on swaps.

3. As set out above, ITV has revised its calculation of adjusted profits and EPS. PBT and earnings calculated using the previous methodology are set out below:

12 months to 31 December	2009	2008
Adjusted PBT on previous methodology (£m)	94	167
Adjusted EPS on previous methodology (pence)	1.5	2.7

4. Share of viewing data is for the year to 31 December 2009, compared to equivalent period in 2008, based on BARB / Infosys data for individuals viewing. ITV Family includes: ITV1, ITV2, ITV3, ITV4, CITV, GMTV1, GMTV2, Men&Motors and associated "+1" channels. ITV Family share of viewing in 2009 was 23.1% (2008: 23.2%).
5. Average monthly unique users are based on Omniture data. Video views are based on internal Company data for itv.com.
6. Figures for ITV plc and market NAR are based on ITV estimates and current forecasts.
7. Adjusted cashflows are defined as cash generated from operations before exceptional items, less cash related to the acquisition of non-current assets, but before amortisation of internally generated intangible assets.
8. This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of ITV plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or

implied by such forward-looking statements. These factors include, but are not limited to (i) adverse changes to the current outlook for the UK television advertising market, (ii) adverse changes in tax laws and regulations, (iii) the risks associated with the introduction of new products and services, (iv) pricing, product and programme initiatives of competitors, including increased competition for programmes, (v) changes in technology or consumer demand, (vi) the termination or delay of key contracts, (vii) fluctuations in exchange rates and (viii) volatility in financial markets.

For further enquiries please contact:

Investor enquiries

Christy Swords 020 7157 6572 or 07881 505783

Pippa Foulds 020 7157 6555 or 07778 031097

Media enquiries

Ruth Settle 020 7157 3707 or 07946 346698

Louise Evans 020 7157 3710 or 07825 680994

Tulchan Communications

Andrew Grant / Susanna Voyle, Tulchan 020 7353 4200

Operating review

Broadcasting & Online

UK advertising came under considerable pressure during 2009, with total revenues declining by 13%. Total UK television advertising revenues declined by around 11%, slightly increasing their share of the total advertising market to around 24%. Growth in UK online advertising revenues was more muted than recent years at around 3%. Nonetheless online advertising now accounts for nearly a quarter of total UK advertising spend.

ITV outperformed the wider television advertising market significantly over 2009. As a result, although ITV's television advertising revenues declined by 9%, ITV's share of the total market increased from 43.8% in 2008 to 44.7%. This increase followed ITV holding its market share year-on-year for the first time in over two decades in 2008.

Across the year, there was considerable market volatility. Over the first half, ITV net advertising revenue (NAR) was down 15%, with year-on-year decline easing to 11% in the third quarter. In the final quarter ITV NAR actually increased year-on-year, with revenues in December up by 14%.

ITV's outperformance in revenue terms across 2009 reflected positive negotiating round with advertisers, after ITV held its viewing share across all its channels in 2008. In addition, ITV was well positioned to compete for late monies as ITV's channels again held their viewing share in 2009. In peak viewing hours, ITV's channels actually increased their share from 27.8% in 2008 to 28.2% in 2009.

This increase in peak share was delivered despite the continuing pressure on ITV1 viewing from rising digital penetration. During the year around 1.2 million UK homes converted to digital multichannel. Three UK regions – the Borders, the West Country and the North West – completed their transition to digital, with analogue transmission ceasing. Across the UK, by the end of 2009, around 95% of viewers were in multichannel homes, with the remaining 5% due to convert by the conclusion of switchover in 2012.

The main terrestrial channels, including ITV1, experience viewing share decline as homes convert to multichannel. However, this effect is easing as the UK approaches 100% digital penetration. Since 2006, growth in viewing to ITV's digital channels has offset decline in ITV1 viewing share.

Of the different television platforms available to viewers, digital terrestrial television, predominantly Freeview, accounts for 39% of primary set reception, around the same level as satellite, which is largely subscription but includes Freesat. Digital cable – which is exclusively pay-TV – accounts for a further 13% of homes. A small number of UK homes also subscribe to smaller pay-TV operators, including Top Up TV and BT Vision.

UK television viewing levels remained flat in 2009, with the average adult watching four hours of television a day. With the BBC losing share, viewing of commercial television registered a small increase, rising by 1% compared to 2008.

ITV channels delivered 326 billion commercial impacts – individual adult viewings of 30 second television commercials – an increase of 1% over the previous year. However, the volume of commercial impacts across the market increased by 4%, reflecting increased commercial viewing and more viewing of digital channels carrying a higher volume of advertising. As a result, ITV's channels' share of commercial impacts was down slightly year-on-year at 40.0% (2008: 41.0%).

ITV1

On-screen performance

Across 2009, ITV1 delivered a 16.6% share of total UK viewing compared to 17.2% in 2008. ITV1's share of commercial viewing (excluding the BBC) was 26.6% (2008: 27.8%). BBC1, BBC2 and Channel 4 all suffered greater proportionate declines than ITV1.

ITV1 performed particularly strongly in peak viewing hours – defined as 7.00 pm to 10.30 pm. ITV1 delivered a 23.7% peak share overall (2008: 23.9%) and a 37.7% share of commercial viewing in peak (2008: 38.6%). Again, ITV1's main terrestrial rivals all suffered proportionately greater declines. ITV1 delivered nearly double the share in peak of Channel 4 and Five combined.

Share of commercial impacts is an important measure for advertisers as it represents the proportion of all viewing of UK commercials delivered by a channel. ITV1's share of commercial impacts in 2009 was 28.4% (2008: 30.0%). Across upmarket ABC1 viewers and younger 16–34 year old viewers, ITV1 outperformed both its main commercial rivals, Channel 4 and Five year-on-year.

Programming

The foundation of ITV1's strong viewing performance in 2009 was a raft of successful new and returning programming, within a significantly reformed schedule architecture. Although the programme budget was reduced by 12% year-on-year, ITV1 invested over £850 million in programming, including £540 million in original UK commissions. ITV1 maintained its spending on entertainment, but trimmed investment in drama, with a focus on the soaps and 9.00 pm drama.

In entertainment, ITV1 had an exceptional year with each of its four main entertainment events – Dancing on Ice, Britain's Got Talent, The X Factor and I'm A Celebrity – building their audience. The final of the third series of Britain's Got Talent peaked with a 75% audience share, and was the most watched non-sports programme on UK television for over five years. In its sixth series, The X Factor introduced auditions before a live audience and split its final stages over Saturday and Sunday nights. The result was its most successful series to date with the final attracting 19.3 million viewers.

Outside the four big franchises, entertainment successes included Piers Morgan's Life Stories, All Star Mr & Mrs, The Royal Variety Performance and Ant & Dec's Saturday Night Takeaway. ITV also launched a successful new entertainment format for Saturday nights, The Cube.

ITV1's soaps continued to deliver robust ratings. Coronation Street averaged 9.2 million viewers (2008: 9.5 million), well ahead of Eastenders on BBC1. Emmerdale averaged 6.7 million (2008: 6.9 million).

Alongside the soaps, ITV1 delivered a number of highly successful new 9.00 pm dramas. Whitechapel was the highest rating new drama on any channel since 2006. Collision was stripped across a week and peaked with 8.4 million viewers. Law & Order: UK, a British version of the highly successful and long-running US series, delivered an audience of 7.0 million. In total, seven of the UK's top ten new dramas across the year were on ITV1, with a number of the most successful – including Whitechapel, Above Suspicion and Law & Order: UK – returning in 2010.

In comedy, a third series of Benidorm, with episodes extended to an hour, delivered an average audience of 6.5 million. Harry Hill's TV Burp returned for a ninth series and averaged 6.7 million viewers.

The best performing sports programme on ITV1 in 2009 was the UEFA Champions' League final between Manchester United and Barcelona, which peaked with 10.6 million viewers. Other high performing sports programming included the FA Cup and England home internationals.

Given the pressure on the programming budget, the ITV1 schedule included a greater emphasis on lower cost factual programming. Strong factual performers included Piers Morgan on..., Martin Clunes: Islands of Britain and Billy Connolly: Journey to the Edge of the World. The best performing factual programme in the year was Dancing on Ice: The Story of Bolero which attracted an audience of 7.7 million viewers.

Daytime programming delivers over 20% of total ITV1 viewing. During 2009, This Morning relaunched with Holly Willoughby joining the presenting line-up and a range of editorial changes. Ratings for the show improved with audiences in 2009 up 8%. Other key daytime titles, The Jeremy Kyle Show and Loose Women, held their audience shares on 2008.

In November 2009, ITV acquired the remaining 25% of GMTV held by Disney. Full ownership of the breakfast franchise will allow greater integration and cross-promotion between ITV1 and GMTV. Across 2009, GMTV held its audience share at 1.2% (2008: 1.2%).

ITV reduced its investment in regional programming to £68 million (2008: £112 million), as Ofcom approved modernisation of ITV's regional news services. Nonetheless ITV1's main regional news programmes at 6.00 pm continued to deliver an average audience of 3.3 million viewers (2008: 3.4 million).

National and international news remains a key part of the ITV1 schedule. ITV invested in a significant marketing campaign to support a relaunch of its national news programming during the year. News at Ten's average audience increased by 6% compared to 2008. Across the year, ITV1's main news programmes delivered an average daily reach of 7.8 million, compared to 1.8 million for Channel 4 News and 1.7 million for Sky News.

The ITV1 network's viewing figures across the year were negatively impacted by the underperformance of the independent ITV1 licensee, STV Group plc. STV increased its level of opt outs from ITV1 dramas, including The Bill and Doc Martin, and reduced its financial contribution to the ITV1 network. STV's share of commercial impacts fell by 12% across the year.

Revenues

ITV1 television advertising revenues were £993 million, down 12% on 2008. Compared to recent years, ITV1 revenue growth ran much closer to the overall market, where revenues were down 11%.

The 2009 revenue performance was achieved despite the continuing impact of Contract Rights Renewal (CRR). CRR allows advertisers to reduce their commitment to ITV1 in line with the channel's share of commercial impact decline in the previous year. ITV1's share of commercial impact decline in 2008 was 6%. However, 2009 ITV1 NAR decline ran relatively close to the overall market decline, reflecting a strong on-screen performance and a successful outcome to the advertising deal round.

The Competition Commission undertook a review of CRR during 2009 and, in early 2010, provisionally ruled that CRR should be maintained. ITV had argued that CRR should be abolished entirely and the outcome of the review is therefore disappointing. ITV continues to believe that CRR is a disproportionate remedy with negative consequences extending well beyond ITV. The Competition Commission has provisionally concluded that CRR should be amended to permit the inclusion of an ITV1+1 and ITV1 HD service within CRR.

ITV's sponsorship revenues – predominantly in connection with ITV1 programming – were £59 million in 2009 (2008: £58 million). Sponsorship revenues were considerably more resilient than NAR, reflecting longer term contracts and the value to advertisers of allying themselves with successful ITV programming. Major contracts in 2009 included esure's sponsorship of the National Weather and Harvey's sponsorship of Coronation Street. In addition, ITV secured important contracts for 2010, including Lucozade and Hyundai's sponsorship of the 2010 World Cup.

ITV's interactive revenues, primarily raised from competitions and phone voting around ITV1 programmes, were £30 million in 2009 (2008: £34 million). There were almost 100 million viewer interactions, entries to competitions and votes across the year. The X Factor final alone generated over 10 million votes, up 28% year-on-year.

Digital Channels

ITV's family of digital channels – ITV2, ITV3, ITV4 and CITV – put in another strong performance in 2009. Their combined share of viewing was 5.3%, compared to 4.3% for the BBC's digital channels and 4.1% for the Channel 4 digital family.

ITV's digital channels are broadcast free-to-air on Freeview, digital satellite and cable and are entirely funded by advertising and sponsorship. Notwithstanding wider market weakness, ITV's digital channels increased their television advertising revenues by 1% to £245 million, raising their share of the total UK television advertising market to 8.5% (2008: 7.5%). Across the year, ITV's digital channels generated more advertising revenue than the UK's third largest commercial channel, Five.

Although ITV's digital channels delivered increased viewing, advertising revenues and share across 2009, investment in programming for the channels was held at £110 million (2008: £112 million). This reflects ITV's strategy of seeking to contain its programming costs.

ITV2

ITV2, together with a timeshifted sister service, ITV2+1, is particularly targeted at the younger 16–34 year old demographic, with a schedule including a mix of original commissions, spin-offs from ITV1 programming, movies, US acquired series and repeats.

In 2009, ITV2 retained its position as the UK's top multichannel station in terms of its share of commercial impacts, with a 12% increase in adult commercial impacts translating into a 4.3% share of total market impacts. ITV2 increased its share of viewing to 2.4% (2008: 2.1%).

Impacts across ITV2's target younger audience increased by 15% on the previous year, with ITV2 overtaking the terrestrial channel Five in this commercially valuable demographic. ITV2 also delivers more upmarket impacts than any other UK digital channel and improved its audience profile further during 2009 with ABC1 impacts increasing by 13%.

ITV2 had a number of programming successes during the year. The Xtra Factor attracted the channel's highest ever peak audience of 3.5 million viewers, ahead of the Britain's Got More Talent final episode which peaked at 3.3 million viewers. Other programming successes included Peter Andre: Going It Alone, which peaked with 2.4 million viewers.

ITV3

ITV3 is aimed at an upmarket audience, with a schedule including repeated ITV drama, acquired programming, films and some original programming.

In 2009, ITV3 retained its position as the UK's second largest multichannel station in terms of commercial impact share, with a share of 3.4% (2008: 3.1%) and impact volumes up by 16% year-on-year.

Across the year, 241 ITV3 programmes achieved an audience of more than 500,000, compared to 147 programmes in 2008. ITV3 had its best ever programming performance in 2009 with Ladies of Letters delivering 1.3 million viewers and an 8.2% viewing share. Other successful programmes included Lewis and Poirot, which both had episodes with audiences of over 1.0 million.

ITV4

ITV4 targets young male viewers, with a schedule including live football, darts, Tour de France cycling, classic repeated drama and US acquisitions.

ITV4 grew its impacts by 8% in 2009 and was the UK's seventh largest multichannel station in terms of commercial impact share, with a 1.5% share of commercial impacts.

ITV4's top performing programme of the year was the UEFA Cup match between Manchester City and Hamburg, which attracted a peak audience of 2.7 million viewers and averaged a 13% share of male viewers. The top non-sport programme on ITV4 was the action movie Crank, which attracted a peak audience of 1.0 million viewers and a 10% share.

CITV

CITV is ITV's channel for younger viewers and features a range of UK and imported children's programming. In 2009, CITV's share of commercial impacts for children increased by 6% to 3.1%, with its volume of children's impacts up by 6%.

SDN

SDN is a digital terrestrial television (DTT) multiplex operator wholly owned by ITV. SDN earns revenues by leasing out capacity on the DTT platform to channel providers, generally on long-term contracts. Channels carried on the SDN multiplex include QVC, Five and CITV.

SDN holds one of six digital terrestrial multiplex licences. During 2009 the licence was renewed by the regulator Ofcom and the second licence term runs to 2022. No spectrum fee is payable until the end of 2014 at the earliest.

In 2009, SDN revenues increased by 33% to £44 million, reflecting improved terms for a channel contract renewed in early 2009 and the accommodation of a tenth broadcast channel from May 2009.

Having considered the sale of SDN earlier in the year, in October 2009 ITV announced that preliminary discussions had been opened with the Trustees of the ITV Pension Scheme over a partnership arrangement under which SDN would provide asset backing to the pension scheme. Such a partnership could serve to reduce the pension deficit on a funding basis, with ITV continuing to consolidate SDN's revenues and cash flows. Discussions regarding this proposal are continuing.

Freeview, Freesat and Project Canvas

ITV is a shareholder in Freeview, which markets the highly successful UK free-to-air DTT platform. By the end of 2009, Freeview was the primary means of television reception in 10.1 million UK homes, with a further 5.9 million homes using Freeview on one or more non-primary sets.

ITV is also a joint venture partner in Freesat, which markets subscription-free digital satellite television. Freesat was launched in early 2008 by ITV and the BBC to provide free-to-air access to digital satellite, including HD services from the BBC and ITV. By the end of the year, subscription-free digital satellite was the primary means of television reception in 0.7 million UK homes.

ITV's backing for Freeview and Freesat reflects ITV's strategy to future-proof the digital platforms on which ITV's family of channels performs strongest. Consistent with this strategy, ITV is also a partner in Project Canvas, which aims to set a standard for on demand services delivered via internet-connected set-top boxes and televisions.

Project Canvas will allow all digital viewers – free-to-air as well as pay – access to video on demand programming on the television set. ITV's partners in the project include the BBC, BT, Five, Channel 4 and Talk Talk. Having been provisionally approved by the BBC Trust in late 2009, preparations for the launch of Project Canvas are continuing.

Online

The UK online advertising market continues to grow as broadband penetration has reached 70% of UK households. With faster broadband connections, the demand for online video has increased and a number of new online video services have been launched. Digital cable subscribers can already access services, including ITV Player, via their television. New services, such as Project Canvas, promise to accelerate further the convergence of online video on demand and television platforms.

ITV's focus has been on building the reach of its online video services delivered via itv.com and a number of partnerships. In 2009, itv.com unique users averaged 8.7 million per month, increasing by 33% on 2008. Online video viewing of ITV programming has also continued to grow rapidly. Including catch-up and short form clips, video views across the year on itv.com totalled 215 million, up 150% from 2008. Both metrics peaked in May, with Britain's Got Talent boosting unique users to 12.8 million and video views reaching 50 million for the month.

Video on demand deals with Virgin Media and BT Vision allow their combined 3.5 million subscribers access to hundreds of hours of ITV content via their televisions on an on demand basis. ITV also has a partnership with iTunes which makes ITV's programming available for paid-for download.

Early in 2009, the Competition Commission blocked Project Kangaroo, the proposed joint venture between the BBC, ITV, Channel 4 and Five to deliver an online video archive service. Since that decision, ITV has been pursuing alternative means of exploiting its extensive video archive via itv.com and potential third-party partnerships.

During 2009, the online division was integrated into ITV's wider broadcasting operations, generating significant savings. As with ITV's existing digital channels, there is an opportunity to leverage ITV's investment in content and ITV1's cross-promotional power to drive traffic and revenues to online and on demand services.

Online revenues totalled £37 million in 2009, up 3% on 2008. Excluding Friends Reunited, itv.com revenues were £24 million, up 33% on 2008. The largest single element of itv.com revenues is accounted for by video advertising, with the balance including payments from video on demand deals with pay-TV platforms.

Friends Reunited's revenues declined by 28% to £13 million, impacted by the decline in online display advertising prices and the loss of subscription revenues from the core reunions site following its relaunch in 2008.

In August 2009, ITV announced that it had agreed to sell Friends Reunited to Brightsolid for £25 million. The proposed disposal is currently being reviewed by the Competition Commission.

ITV Studios

2009 was a challenging year for the UK and international television production market. The economic downturn impacted demand for original production from broadcasters. With their own advertising revenues falling, commissioners sought to apply downward pressure on producers' prices and margins or replaced original commissions with cheaper acquisitions and repeats.

Despite the downturn amongst its broadcast customers, ITV Studios increased its external revenues by 9% to £335 million (2008: £306 million). However, overall revenues fell by 4% to £597 million (2008: £622 million), reflecting a significant reduction in internal ITV commissions. Following a similar pattern of increased external revenues and reducing ITV commissions the previous year, for the first time in 2009 external revenues represented the majority of overall ITV Studios' revenues.

EBITA before exceptional items was held at £91 million (2008: £90 million), with efficiency savings, international growth and some exchange rate gains offsetting lower internal supply.

UK Production

Internal revenues, largely commissions for ITV1, fell by £54 million to £262 million. The reduction in internal commissions partly reflected a reduction in ITV1's budget. However ITV Studios' share of ITV1 commissions fell to 47% in 2009, compared to 51% in 2008.

The most significant reduction in internal commissions was in drama, with a number of established titles, including A Touch of Frost and Heartbeat, not broadcast or transmitted in shorter runs. In other cases, including Albert's Memorial and Identity, transmission has been delayed into 2010. Nonetheless ITV Studios continued to deliver more ITV1 drama than any other producer, with returning titles including Lewis and Blue Murder, and new commissions including Gunrush and The Fattest Man in Britain.

Entertainment commissions for ITV1 also reduced, but included I'm A Celebrity, Dancing on Ice and The Krypton Factor. Two new shows – The Fuse and The Chase – were delivered under an ITV pilot deal, which is being extended in 2010.

With ITV1's programme budget under pressure, more cost effective factual programming has been a focus. ITV Studios deliveries included Real Crime, Airline and Countrywise. ITV Studios also continued to produce the key pillars of ITV1's daytime schedule, including The Jeremy Kyle Show, This Morning, Loose Women and 60 Minute Makeover.

ITV Studios' two soaps – Coronation Street and Emmerdale – remained ITV1's most effective ratings drivers over the course of 2009. Coronation Street reached its 7,000th episode in January 2009 and celebrates its 50th birthday in 2010.

Trading conditions beyond ITV were tough with other UK broadcasters also cutting programme budgets. Reflecting these trends, ITV Studios' external UK production revenues reduced by 15% to £58 million. However, successful third-party commissions included The Street, Eggheads and University Challenge for the BBC, Come Dine With Me and Countdown for Channel 4 and two new formats for Living, My Ugly Best Friend and Four Weddings.

Resources revenues from ITV's studio facilities and post-production business were £13 million (2008: £17 million), reflecting the decline in UK production activity and closure of studios in Leeds.

ITV Studios won 45 awards in 2009 (2008: 61 awards), with winners including Ant & Dec's Saturday Night Takeaway, The Street and Loose Women.

International Production

ITV has been seeking to diversify its production revenues over recent years. International production has been a particular focus with ITV seeking to move from distributing programming or selling format rights to producing original programming in local markets for international broadcasters. In more challenging trading conditions, ITV's international production businesses were able to maintain strong growth across 2009, with revenues increasing by 41% to £138 million (including some foreign exchange benefit).

This growth has been founded on ITV's ability to deliver locally adapted versions of proven UK hits to the international market. ITV Studios produced Come Dine With Me – originally made by ITV Studios for Channel 4 in the UK – for VOX in Germany, for TV4 in Sweden and for Lifestyle in Australia. During the year, ITV produced local versions of I'm A Celebrity for NBC in the USA, RTL in Germany, Sony Entertainment Television in India and TV4 in Sweden – as well as on ITV1.

The largest of ITV's international production businesses, ITV Studios USA, delivered a strong slate of programming including Hell's Kitchen and Kitchen Nightmares for Fox, Room Raiders for MTV and Steven Seagal Lawman for A&E.

Alongside ITV Studios' existing production offices in Germany, Australia and Sweden, ITV opened a further production base in Spain and, early in 2010, in France.

ITV Studios Global Entertainment

ITV's distribution and exploitation business, ITV Studios Global Entertainment, held its revenues broadly flat in 2009 at £126 million (2008: £123 million). This was despite challenging trading conditions, in particular in the UK DVD market, and reflected some benefit from foreign exchange movements.

ITV Studios Global Entertainment represents more than 35,000 hours of original and formatted programming from ITV Studios and leading independent producers and distributes to broadcasters in more than 240 territories worldwide. Major revenue earners in 2009 included Coronation Street, Emmerdale, Poirot and Heartbeat, with Australia, Ireland, Canada, the USA and Scandinavia the major territories. A new version of The Prisoner, co-produced by ITV Studios and AMC in the US, will be broadcast on ITV1 in 2010.

Major format sales include Come Dine With Me, which has been sold to countries including Slovenia, Sweden, Australia and Norway. New ITV Studios format Four Weddings has also delivered international format sales following its UK success.

ITV Studios Home Entertainment markets a portfolio of over 3,000 television, music, film and publishing titles across formats including DVD, Blu-ray, and downloads in the UK and internationally. Major UK revenue earners included Harry Hill's TV Burp, Al Murray: The Pub Landlord, Coronation Street: Romanian Holiday and Inspector Morse.

Financial Review

2009 was a challenging year for ITV. UK television advertising suffered its worst year-on-year decline on record and month to month trading was volatile and uncertain. Against this backdrop, ITV's focus on its core operating performance, on cash and on costs is evident in the financial results.

The following review focuses on the adjusted results as, in management's view, these show more accurately the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a daily basis. A reconciliation from the statutory to adjusted results is set out later in this review.

Adjusted earnings per share represent the adjusted profit for the year attributable to equity shareholders. Adjusted profit is defined as profit for the year attributable to equity shareholders, before exceptional items, impairment of intangibles, amortisation of intangible assets acquired through business combinations, adjusted financing costs and prior period and other tax adjustments. 'Profit to cash' conversion has been another key focus in 2009. ITV is seeking to maximise the proportion of earnings before interest, tax and amortisation (EBITA) before exceptional items converted into a measure of adjusted cash (defined as cash generated from operations before exceptional items less cash related to the acquisition of property, plant and equipment).

The definition of adjusted financing costs has changed in 2009 to exclude the non-cash imputed pension interest cost and mark-to-market movements on swaps and foreign exchange movements on bonds, and other financing costs. 2008 has been restated on the same basis.

Total revenue for the year ended 31 December 2009 was 7% lower at £1,879 million (2008: £2,029 million). Despite the substantial fall in revenues, EBITA before exceptional items was down only 4% at £202 million (2008: £211 million) as £169 million of cost savings helped to mitigate the revenue decline. Most of the key profit measures were held leading to adjusted earnings per share of 1.8p (2008: 1.8p).

Revenue and EBITA before exceptional items by reportable segment are as follows:

	2009 £m	2008 £m	Change £m
Broadcasting & Online revenue	1,543	1,683	(140)
Broadcasting & Online EBITA*	111	120	(9)
ITV Studios revenue	335	306	29
ITV Studios EBITA*	91	90	1
Other revenue	1	40	(39)
Other EBITA*	–	1	(1)
Total revenue	1,879	2,029	(150)
Total EBITA*	202	211	(9)
Adjusted profit	70	71	(1)
Adjusted earnings per share	1.8p	1.8p	–

*Before exceptional items.

Broadcasting & Online

Broadcasting & Online revenues

Broadcasting & Online revenues comprise net advertising revenue (NAR), sponsorship income, interactive revenues (from premium rate telephony services and red button services), SDN, online and other revenues.

	2009 £m	2008 £m	Change £m
ITV1	993	1,127	(134)
ITV digital channels	245	242	3
GMTV	53	56	(3)
ITV plc NAR	1,291	1,425	(134)
Sponsorship	59	58	1
Minority revenue	47	63	(16)
Media Sales, PRS and other income	69	68	1
SDN	44	33	11
itv.com	24	18	6
Friends Reunited	13	18	(5)
Intra-segment revenue	(4)	–	(4)
Total Broadcasting & Online Revenue	1,543	1,683	(140)

The television advertising market overall was down 11% in 2009, following a decline of 5% in 2008. ITV plc outperformed the wider market with NAR decline of 9% and, as a result, increased its share of UK television advertising to 44.7% (2008: 43.8%). Nonetheless ITV NAR decreased by £134 million to £1,291 million (2008: £1,425 million). In effect, ITV's outperformance of the market was worth £26 million compared to the decline in ITV's revenues had they performed in line with the overall market.

Under the Contract Rights Renewal remedy, advertisers are entitled to reduce their advertising share commitment to ITV1 in proportion to the decline in ITV1's share of commercial impacts (SOCl) the previous year. For all adults, ITV1 SOCl declined by 6% during 2008. In the event, across 2009 ITV1 NAR decline ran relatively close to overall market decline, down by 12% at £993 million (2008: £1,126 million), reflecting a strong on-screen performance and a successful outcome to the advertising deal round.

ITV's digital channels – ITV2, ITV3, ITV4 and CITV – increased their advertising revenues by 1% to £245 million (2008: £242 million). In the context of significant market decline, this represents a strong performance and reflects consistent growth in digital channel SOCl, which in 2009 reached 9.5% (2008: 8.8%). GMTV NAR was down 5%. GMTV outperformed the wider television advertising market as revenues include a high proportion of categories, including retail and food, which were stronger than the wider market across the year.

Sponsorship income was £59 million (2008: £58 million). Although closely related to advertising, sponsorship tends to be committed under longer term contracts which can mitigate the impact of advertising market movements in the short-term.

Minority revenues comprise ITV Network programme sales to Channel 3 licences not owned by ITV (STV, UTV and Channel). Minority revenues were £16 million lower than in the prior year partly reflecting lower schedule costs, but also as a result of STV's decision to opt out of more of ITV1 drama.

Media sales, PRS and other income comprise revenues from premium rate telephony services, airtime sales on behalf of third-parties and interactive transactions associated with ITV and GMTV programming. Revenues were held flat despite the weak market. Whilst the volume of viewer interactions increased, PRS revenues declined due to an increase in the use of free online voting.

SDN revenues were £44 million (2008: £33 million). The increase in revenues reflected the launch of a tenth videostream and new contracts with Discovery and Virgin Media coming into effect during the year.

Online revenue, which primarily comprises itv.com advertising revenues, revenues from video on demand deals with BT and Virgin Media and Friends Reunited revenues, was held flat for the year.

Revenues from itv.com increased by 33% to £24 million, reflecting increased video advertising revenue. itv.com video views were up by 150% to 215 million over the year, with key programme drivers including Britain's Got Talent, The X Factor and Coronation Street. Prices for itv.com video advertising retained a premium to television and other market competitors, but reduced during the year as online video inventory increased.

Friends Reunited revenues fell by 28% to £13 million, due in part to the loss of subscription revenues from the core reunions site following its move to a fully advertising funded model in May 2008.

Broadcasting & Online costs

Broadcasting & Online costs break down as follows:

	2009 £m	2008 £m	Change £m
ITV1	797	867	(70)
Regional news and non-news	68	112	(44)
Total ITV1	865	979	(114)
ITV2, ITV3, ITV4, CITV	110	112	(2)
GMTV	31	34	(3)
Total schedule costs	1,006	1,125	(119)
Other costs	426	438	(12)
Total costs	1,432	1,563	(131)

Schedule costs

Total ITV schedule costs reduced by £119 million in 2009 to £1,006 million (2008: £1,125 million) with ITV exceeding its stated savings targets of £105 million across network and regional programming.

ITV1 schedule costs declined by £70 million. Digital channels and GMTV schedule costs reduced by £5 million in total. In February 2009, ITV launched the new regional service moving from 17 separate 6.00 pm regional news half hours to nine programmes. As a result of this ITV delivered £44 million of savings.

Other Broadcasting & Online costs

Other Broadcasting & Online costs of £426 million (2008: £438 million) include industry and regulatory costs, as well as staff and overhead costs. The year-on-year decline is from cost savings delivered as part of the efficiency review and lower licence fees of £22 million (2008: £30 million). Some of these savings were offset by increased investment in transmission, HD and other development investment.

Broadcasting & Online EBITA before exceptional items

Broadcasting & Online EBITA before exceptional items for 2009 was £9 million lower at £111 million (2008: £120 million), with the decline in NAR offset by the delivery of targeted efficiency savings, increased SDN profits and the closure of underperforming online businesses.

ITV Studios

ITV Studios revenues

	2009 £m	2008 £m	Change £m
UK production	58	68	(10)
Resources	13	17	(4)
International production	138	98	40
Distribution and exploitation	126	123	3
Total external revenue	335	306	29
Original supply to ITV	262	316	(54)
Total revenue	597	622	(25)

ITV Studios revenue includes original productions for the UK and international markets, the distribution and exploitation of internally generated and acquired rights, and studios and facilities revenue.

Total external sales were £335 million (2008: £306 million). Including original supply to ITV, total revenues were £597 million (2008: £622 million).

Original UK production for other broadcasters was £58 million (2008: £68 million), as other UK broadcasters reduced commissioning budgets and changed genre mix.

International production revenues increased by 41% to £138 million (2008: £98 million). Growth was particularly strong in the US and Swedish production businesses, reflecting local versions of I'm A Celebrity for the US, Sweden and India. Commissioning cycles suggest that these productions are unlikely to return in these territories in 2010, but they remain active prospects for 2011.

Distribution and exploitation sales were £126 million (2008: £123 million), including a significant co-production deal for The Prisoner for AMC. DVD sales in the UK were relatively robust but international sales declined year on year.

External revenues benefited from a favourable £16 million foreign exchange movement across international production and a further £7 million positive movement in distribution and exploitation.

Programming made by ITV Studios for ITV channels is not included in reported ITV plc consolidated revenue as it represents an internal programming cost of sale. In 2009 internal programming amounted to £262 million of ITV network programme spend (2008: £316 million). As ITV responded to the advertising downturn by reducing its schedule costs, there was a loss of, or reduction in, episodes for a number of established ITV commissions, including Heartbeat, Lewis and The Royal. These losses were only partially offset by new commissions, such as Piers Morgan's Life Stories.

ITV Studios EBITA before exceptional items

ITV Studios EBITA before exceptional items was £91 million (2008: £90 million). Underlying margins have been impacted by the change in programme mix and reduced ITV supply, and by pricing pressures in production and distribution worldwide. However, these pressures have been offset by delivery of significant targeted cost savings and a trading foreign exchange gain of £3 million. In addition, a £2 million increase in development generated a range of options, pilots, and new business streams that are live prospects in 2010 and beyond.

Operating exceptional items

	2009 £m	2008 £m
Reorganisation and restructuring	(40)	(40)
PRS	–	(6)
Pension scheme changes	110	–
Onerous contract provision	(1)	(50)
Onerous property provision	(14)	–
Kangaroo closure costs	(2)	(1)
Total operating exceptional items	53	(97)

Net operating exceptional income in the year was £53 million (2008: cost of £97 million).

These include £40 million of reorganisation and restructuring costs associated with the previously announced efficiency savings programmes.

Pension scheme changes have taken place following consultation with the scheme members to implement a cap on increases to pensionable salary levels for active members and to offer retired members the option of altering the structure of their pension by receiving an uplift now in return for giving up rights to future annual increases. Both of these changes will reduce the future costs and risks of operating the pension schemes and have resulted in a gain of £110 million to the income statement.

The onerous property provision in 2009 of £14 million relates to the vacation of large parts of the Gray's Inn Road office, following headcount reductions and consolidation of ITV's London property into the Southbank.

STV Group plc (STV)

Over the course of 2009, ITV and STV have become involved in a series of legal disputes with pleadings filed by each side. Based on its view of these matters, ITV believes that it is owed approximately £20 million net under these claims. ITV is confident in the basis of its claims, supported by legal opinion and advice, and intends to pursue resolution of these issues to a satisfactory outcome. Therefore no provision has been made. In reaching this view ITV notes that STV has recently completed a re-financing of its business. In not providing against the recoverability of these balances, ITV is relying on its expectation that STV will file unqualified financial statements prepared on a going concern basis in due course.

Amortisation and impairment of intangible assets

Total intangible assets at 31 December 2009 are £1,030 million (2008: £1,140 million), being goodwill of £711 million (2008: £749 million) and acquired and internally developed intangible assets of £319 million (2008: £391 million). The net movement in goodwill of £38 million has resulted from the transfer of £34 million to assets held for sale regarding Friends Reunited and £4 million in relation to the disposal of Enable Media Limited.

No impairment charge for goodwill has been recognised in 2009 (2008: £2,695 million including £57 million as required by IAS 12). The total amortisation charge for the year on acquired and internally developed intangible assets is £59 million (2008: £66 million).

Net financing costs

	2009 £m	2008 £m
Financing costs directly attributable to bonds	(74)	(99)
Cash-related net financing income	1	24
Cash-related financing costs	(73)	(75)
Amortisation of bonds	(6)	(2)
Adjusted financing costs	(79)	(77)
Mark-to-Market on swaps and foreign exchange	(7)	31
Imputed pension interest	(15)	16
Other financing income/(costs)	10	(30)
Net financing costs	(91)	(60)

Reported net financing costs are £91 million (2008: £60 million). Adjusted financing costs on the new definition are £79 million (2008: £77 million).

Cash-related financing costs directly attributable to bonds of £74 million (2008: £99 million) have reduced in the year due to the changes made to the Group's debt profile and lower interest rates. Other net income is lower in 2009 due to lower interest rates. In 2009, cash on deposit was earning an average return of less than 1%, compared to 5% across 2008. Non-cash amortisation principally relates to the 2014 Eurobond, 2015 Bond tap and 2016 Convertible Bond, each of which will accrete up to par value over the life of the bond.

The difference between the reported net financing costs and adjusted financing costs largely relates to mark-to-market on swaps, foreign exchange on bonds, the imputed pension interest and other financing costs. The £7 million charge (2008: £31 million gain) relating to mark-to-market on swaps and foreign exchange on bonds, is as a result of increases in the implied interest rates at the end of 2009, compared to the end of 2008.

The 2009 charge for non-cash imputed pension interest was £15 million, a movement of £31 million compared to 2008. This is as a result of a combination of a reduction in the expected return on pension assets and an increase in the expected interest cost on liabilities.

Other financing costs include the amortised cost adjustment of £10 million, representing the unwind of part of the £30 million charge taken in 2008, when decline in ITV's credit rating to sub investment grade resulted in a step-up in the coupon rate of some of ITV's bonds. These costs also include the gains and losses from bond buy-backs during the year and the bond exchange in June, and the effective interest on the unwind of the discount on the sports provision.

Results of joint ventures and associates

The total value of the Group's investments in joint ventures and associates at 31 December 2009 is £5 million (2008: £66 million). The decline in the value primarily relates to the transfer of Screenvision US (£47 million) to assets held for sale following the decision to actively market the investment. Losses of joint ventures and associates recognised in the income statement in the year are £7 million (2008: loss of £15 million). The losses in 2009 largely related to Screenvision US, Freesat and ITN.

Non-operating exceptional items

Loss on sale and impairment of non-current assets

The charge of £22 million (2008: £17 million) results from the impairment of non-current assets, primarily leasehold improvements, relating to the regional news restructure and the partial vacation of the Gray's Inn Road building.

Loss on sale, net of impairment, of subsidiaries and investments

There is a £51 million net loss on the sale and impairment of subsidiaries and investments for the year (2008: gain of £6 million), which largely relates to the impairment of Friends Reunited (£32 million), but also impairments to the Group's investment in its associate ITN, and Carlton Screen Advertising.

Tax

The total tax credit of £69 million (2008: credit of £178 million) arises as a result of the resolution of prior periods' tax liabilities, principally in the US.

The adjusted rate of tax on adjusted profits is 32% as shown below:

	2009 £m
Profit before tax as reported	25
Operating exceptional items (net)	(53)
Amortisation and impairment of intangible assets*	51
Non-operating exceptional items	73
Adjustments to net financing costs	12
Adjusted profit before tax	108
	2009 £m
Tax credit as reported	69
Net charge for exceptional and other items	21
Credit in respect of amortisation and impairment of intangible assets*	(14)
Credit in respect of adjustments to net financing costs	(3)
Credit in respect of prior period items	(82)
Other tax adjustments	(26)
Adjusted tax charge	(35)
Adjusted rate of tax	32%

*Amortisation of intangible assets arising from business combinations.

Earnings per share

Basic earnings per share are 2.3 pence (2008: loss per share of 65.9 pence). Adjusted earnings per share (as defined earlier) are 1.8 pence (2008: 1.8 pence).

Reconciliation between reported and adjusted earnings

	Reported £m	Adjustments £m	Adjusted £m
EBITA pre exceptionals	202	–	202
Exceptional items	(20)	20	–
Amortisation and impairment	(59)	51	(8)
Financing costs	(91)	12	(79)
JVs and associates	(7)	–	(7)
Profit before tax	25	83	108
Tax	69	(104)	(35)
Profit after tax	94	(21)	73
Non-controlling interests	(3)	–	(3)
Earnings	91	–	70
Number of shares	3,882		3,882
Earnings per share	2.3p		1.8p

The £20 million exceptional items are the operating exceptional profit of £53 million less £22 million loss on sale and impairment of non-current assets and less £51 million of loss on sale, net of impairment, of subsidiaries and investments as described earlier in this review.

The tax and financing costs sections of this review explain the adjustments to these balances.

Dividend

At the 2009 interim results the Board decided that, due to the uncertain economic context and its impact on the UK television advertising market, it was prudent to not declare an interim dividend. The trading outlook remains uncertain and ITV still has significant debt and pension obligations. As a result, the Board is not proposing the payment of a final dividend. The total dividend for the year is therefore nil pence per share (2008: 0.675 pence per share).

Assets and disposal groups held for sale

During the year the Group confirmed that it was actively marketing for sale its 100% owned subsidiary, Friends Reunited; the joint ventures, Screenvision US and Screenvision Europe; and ITV properties in Bedford, Birmingham and Bristol.

Cash flow, working capital management and net debt

Cash flow and working capital management

Cash and working capital management has been a key focus in 2009. Although EBITA before exceptional items were broadly flat, ITV's adjusted cash flow is £200 million more than the previous year. The key to this was a significant improvement in working capital where there was an inflow of £121 million (2008: outflow of £67 million). The majority of the working capital improvement came through reduced inventory levels for programme and distribution rights, as a result of managing commitments and just-in-time commissioning. The 'profit to cash' ratio increased substantially from 75% in 2008 to 177% in 2009. Going forward, it is expected that the 'profit to cash' ratio on a rolling three-year basis will be at least 90%.

	2009 £m	2008 £m
EBITA before exceptional items ('profit')	202	211
Decrease/(increase) in programme rights and other inventory and distribution rights	125	(82)
Decrease/(increase) in receivables	11	(34)
(Decrease)/increase in payables	(15)	49
Working capital movement	121	(67)
Depreciation	38	36
Share-based compensation	11	10
Cash flow generated from operations*	372	190
Acquisition of property, plant and equipment ('capex')	(14)	(32)
Adjusted cash flow	358	158
Profit to cash ratio	177%	75%

*Before exceptional items.

Net debt

Net debt has fallen by £118 million to £612 million with £358 million of adjusted cash flow, arising from the focus on working capital management, which has more than offset some significant one-off cash payments required in 2009.

	£m
Net debt at 31 December 2008	(730)
Adjusted cash flow	358
Net interest paid	(76)
Exceptional cash	(63)
Taxation net receipts	41
Equity dividends paid	(25)
Acquisition of subsidiaries	(73)
Defined benefit pension deficit funding	(31)
Other	(13)
Net debt at 31 December 2009	(612)

The main one off cash outflows were: £63 million of cash costs in relation to the cost of change and efficiency review; net tax receipts of £41 million reflecting taxation repayments for prior periods which more than offset payments made for the current period; equity dividends of £25 million relating to the 2008 interim dividend; £50 million final payment due under the Friends Reunited earn out; and £23 million for acquiring the 25% of GMTV not already owned.

Liquidity risk and going concern

This section regarding liquidity risk and going concern forms part of the audited accounts. See section 1.1 – Basis of preparation in Accounting policies. The Group's financial risk factors are set out in note 23 to the financial statements.

The Group has a high degree of operational gearing and is exposed to the economic cycle. It is also highly regulated, in particular in respect of television advertising sales. It competes for advertising revenues, not only with other commercial television channels, but also with other forms of display advertising, in particular online. These factors combined with technological change, in particular the migration to digital television, have resulted in declining profitability since 2005 and consequent downward pressure on ITV's credit rating. In the second half of 2008, ITV's credit ratings were lowered from investment grade (BBB-/Baa3) to sub investment grade (BB+/Ba1) as the economy weakened and television advertising revenues declined.

With the decline in television advertising revenues and the wider economic uncertainty, ITV faced significant funding risk at the start of 2009. Given the operational gearing of the business, ITV was at risk of further credit-rating downgrades and of breaching financial covenants under the Group's undrawn £450 million syndicated bank facility. In the context of wider credit market conditions, ITV could not take for granted that it could obtain finance from the capital markets, nor could it expect its banks to relax the financial covenants in the bank facility. Whilst ITV had sufficient cash to repay the £250 million bond in March 2009, it needed to strengthen its liquidity position to ensure that it could cover the repayment of the €500 million 2011 bond and thus allow the Group scope to restructure and recover.

Funding

Alongside the cost saving programme and concerted focus on working capital management, ITV also ran a number of initiatives during 2009 to strengthen liquidity, extend its debt maturity profile and improve the Group's financial ratios. These comprised raising further covenant-free finance without going to the public markets, undertaking a tender and exchange offer and various bond buy-backs. The table below sets out these initiatives and further details can be found in note 22.

	Transaction date	£m
2019 New bilateral facility	February 2009	50
2009 Eurobond repaid	March 2009	(250)
2013 Loan drawdown	March 2009	125
2015 Bond tap	May 2009	58
2011 Bond tender and exchange	June 2009	(69)
2013 Loan repayment	October 2009	(75)
2016 Convertible bonds	November 2009	132
2011 Bonds partially repaid	Nov/Dec 2009	(102)

ITV also retired its £450 million revolving credit facility during the year.

Since the year end ITV has bought back €27 million of the 2011 bonds and £42 million of 2015 bonds.

As a result of these initiatives, ITV's scheduled five year debt repayments (post swaps) were reduced from £695 million at the start of 2009 to £324 million at the year end.

ITV is financed using debt instruments with a range of maturities. ITV's borrowings at 31 December 2009 (net of currency hedges and secured gilts) are repayable as follows:

Amount repayable	£m	Maturity
€118 million Eurobond*	38	October 2011
£110 million Eurobond	110	March 2013
£50 million bank loan	50	May 2013
€188 million Eurobond*	126	June 2014
£425 million Eurobond	425	October 2015
£135 million Convertible bond	135	November 2016
£250 million Eurobond	250	January 2017
£200 million bank loan**	62	March 2019
Finance leases	73	Various
Total repayable	1,269	

*Net of Cross Currency Swaps.

**Net of £138 million (nominal) Gilts secured against the loan.

At the balance sheet date at 31 December 2009 ITV had £582 million of cash and cash equivalents. This figure excludes £4 million of cash held within the disposal group but includes £96 million of cash equivalents whose use is restricted to finance lease commitments and unfunded pension promises. Cash and cash equivalents also include £50 million held principally in overseas and part owned subsidiaries, which is therefore not readily accessible. At the reporting date ITV had a £75 million undrawn, covenant free, bilateral bank facility secured on advertising receivables available to May 2013. There are no financial covenants on any of ITV's debt.

Going concern

As a result of the funding activities undertaken and the improvements in working capital, the Group has reduced its current level of net debt and has also improved both its short-term and medium-term liquidity position. The Group continues to review forecasts of the television advertising market to determine the impact on ITV's liquidity position. At 31 December 2009, while the television market continues to present challenges to the Group's liquidity, ITV has taken decisive actions to mitigate this impact and, during 2010, will continue to evaluate opportunities to push out maturity and create further headroom. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. ITV's forecasts have been prepared on a more cautious basis than external market expectations.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Treasury operations and policies

A central department in London manages the Group's treasury operations, following policies and procedures laid down by the Board. The most significant treasury exposures faced by ITV are raising finance, managing interest rate and currency positions and investing surplus cash in high quality assets. Treasury policies have been approved by the Board for managing each of these exposures including levels of authority on the type and use of financial instruments. Transactions are only undertaken if they relate to underlying exposures. The treasury department reports regularly to the Audit Committee and treasury operations are subject to periodic reviews. Despite not having a lending facility ITV has established and retains strong relationships with a number of banks to ensure a balanced spread of risk and to facilitate future funding requirements.

Set out below are ITV's principal treasury policies:

- **Financing:** ITV's financing policy is to fund itself long-term using debt instruments with a range of maturities. It is substantially funded from the UK and European capital markets and has a bilateral bank facility;
- **Interest rate management:** the Group's interest rate policy is to have between 50% and 70% of its total indebtedness at fixed rates over the medium term in order to provide a balance between certainty of cost and benefit from low floating rates. ITV uses interest rate swaps and options in order to achieve the desired mix between fixed and floating rates. The funding and liquidity activities undertaken by ITV in 2009 resulted in the issuance of fixed rate debt and the retirement of a portion of floating rate debt. ITV has applied the policy to total gross indebtedness thereby excluding cash which is currently treated as a deduction from floating rate debt and on which low levels of interest are being achieved;
- **Currency management:** where currency exposures exist, the Group's foreign exchange policy is to hedge foreign currency denominated costs at the time of commitment and to hedge a proportion of foreign currency denominated revenues on a rolling 12-month basis. The policies significantly reduce the Group's earnings and balance sheet exposures to changes in exchange rates;
- **Investment in cash:** ITV operates strict investment guidelines with respect to surplus cash and the emphasis is on preservation of capital. Counterparty limits for cash deposits are largely based upon long-term ratings published by the major credit rating agencies and perceived state support. Under the guidelines ITV can deposit up to £100 million for a period of three to six months with remaining deposits having a maturity of up to three months.

Pensions

Reducing pension risk and uncertainty

As part of the strategy to manage the risks associated with the pension schemes, the Group implemented a programme of measures to manage the cost of providing the defined benefit arrangements and to provide greater security for the benefits that members have built up. These initiatives form part of a long-term strategy to manage the group pension liabilities and reduce the principal risks and uncertainties.

The Group offered existing pensioners the opportunity to uplift part of their pension, in return giving up any rights to future annual increases on this part of their pension. This resulted in a past service pension credit of £38 million. The Group also launched an offer to active members to redesign their pension benefits. Members were offered a choice of capping any increases to their pensionable pay to a maximum of 1% per year or opting out of the defined benefit sections of the scheme to join the defined contribution section. This resulted in a curtailment gain of £72 million. These gains totalling £110 million are disclosed as exceptional operating income and have offset the deficit to an equal extent. The changes made will reduce the future costs and risks of operating the pension schemes.

Since the year end we have also announced the launch of an enhanced transfer programme aimed at the deferred pensioner population, which if successful will further reduce the pension funding liabilities.

IAS 19

The Group's defined contribution schemes gave rise to an operating charge in 2009 of £4 million (2008: £4 million).

The aggregate IAS 19 deficit on defined benefit schemes at 31 December 2009 was £436 million (2008: £178 million). This increase was primarily driven by a decrease in the discount rate applied to liabilities and an increase in the expected rate of inflation partially offset by higher than expected returns on scheme assets and the benefits from the actions taken in the year as set out above.

Actuarial valuations and deficit funding

Full actuarial valuations are carried out every three years. The latest completed actuarial valuations of Sections B and C of the main defined benefit scheme were carried out as at 1 January 2007 and, on the bases adopted by the trustees, both were in surplus with a combined surplus of £23 million or 5% of the liabilities in those sections. As a result of these surpluses no deficit funding payments are currently being paid into these sections. Actuarial valuations of Sections B and C are being undertaken as at 1 January 2010.

An actuarial valuation of Section A of the main defined benefit scheme was carried out as at 1 January 2008 and, on the bases adopted by the trustees, that section was in deficit to an amount of £190 million or 9% of the liabilities in that section. This deficit is being addressed by a recovery plan agreed with the trustees, under which the Company continues to pay £30 million in each of the five calendar years to 2013. The next valuation of Section A is due at 1 January 2011.

Trustees' investment strategy

The trustees continue to review the investment strategy for the main defined benefit pension scheme. The asset allocation has changed during 2009 and holdings of equities have been moved to other return seeking assets. At 31 December 2009, 47% of the assets of the defined benefit pension schemes were invested in return seeking assets and 53% in bonds and other interest-bearing investments. The trustees also use derivative instruments to hedge partial exposures to movements in interest rates, inflation and foreign exchange rates.

International Financial Reporting Standards

The Group has adopted International Financial Reporting Standards as adopted by the EU. The parent company financial statements continue to be reported under UK GAAP. They have been included in this report after the results of the consolidated group.

Consolidated income statement

For the year ended 31 December:	Note	2009 £m	2008 £m
Revenue	2	1,879	2,029
Operating costs		(1,677)	(1,818)
Earnings before interest, tax and amortisation (EBITA) before exceptional items		202	211
Net operating income/(costs) – exceptional items	5	53	(97)
Amortisation of intangible assets	13	(59)	(66)
Impairment of intangible assets		–	(2,695)
Total operating costs	4	(1,683)	(4,676)
Operating profit/(loss)		196	(2,647)
Financing income		201	316
Financing costs		(292)	(376)
Net financing costs	8	(91)	(60)
Share of profit or loss of joint ventures and associated undertakings	14	(7)	(15)
Investment income		–	1
Loss on sale and impairment of non-current assets (exceptional items)	5	(22)	(17)
(Loss)/gain on sale and impairment of subsidiaries and investments (exceptional items)	5	(51)	6
Profit/(loss) before tax		25	(2,732)
Taxation	9	69	178
Profit/(loss) for the year		94	(2,554)
Profit/(loss) attributable to:			
Owners of the company		91	(2,556)
Non-controlling interests		3	2
Profit/(loss) for the year		94	(2,554)
Earnings/(loss) per share			
Basic earnings/(loss) per share	11	2.3p	(65.9)p
Diluted earnings/(loss) per share	11	2.3p	(65.9)p

Operating exceptional items during the year mainly comprise reorganisation and restructuring costs, onerous property provisions and gains arising from pension scheme changes (see note 5 for details).

Consolidated statement of comprehensive income

For the year ended 31 December:	2009 £m	2008 £m
Profit/(loss) for the year	94	(2,554)
Other comprehensive income:		
Exchange differences on translation of foreign operations	(4)	16
Revaluation of available for sale financial assets	2	2
Amounts recycled to the income statement in respect of cash flow hedges	(9)	–
Other movements in respect of cash flow hedges	–	4
Actuarial losses on defined benefit pension schemes	(391)	(124)
Income tax on other comprehensive income	101	35
Other comprehensive cost for the year, net of income tax	(301)	(67)
Total comprehensive cost for the year	(207)	(2,621)
Total comprehensive cost attributable to:		
Owners of the Company	(210)	(2,623)
Non-controlling interests	3	2
Total comprehensive cost for the year	(207)	(2,621)

Consolidated statement of financial position

	Note	31 December 2009 £m	31 December 2008 £m
Non-current assets			
Property, plant and equipment	12	161	220
Intangible assets	13	1,030	1,140
Investments in joint ventures and associated undertakings	14	5	66
Available for sale financial assets	15	1	5
Held to maturity investments	22	149	–
Derivative financial instruments	25	151	199
Distribution rights	16	16	13
Net deferred tax asset	9	50	–
		1,563	1,643
Current assets			
Programme rights and other inventory	17	388	516
Trade and other receivables due within one year	18	432	444
Trade and other receivables due after more than one year	18	7	10
Trade and other receivables	18	439	454
Derivative financial instruments	25	5	19
Cash and cash equivalents	22	582	616
Assets held for sale	27	78	3
		1,492	1,608
Current liabilities			
Borrowings	22	(9)	(259)
Derivative financial instruments	25	(4)	(7)
Trade and other payables due within one year	19	(646)	(748)
Trade and other payables due after more than one year	20	(31)	(26)
Trade and other payables		(677)	(774)
Current tax liabilities		(31)	(56)
Provisions	26	(47)	(43)
Liabilities held for sale	27	(3)	–
		(771)	(1,139)
Net current assets		721	469
Non-current liabilities			
Borrowings	22	(1,431)	(1,264)
Derivative financial instruments	25	(30)	(25)
Defined benefit pension deficit	6	(436)	(178)
Net deferred tax liability	9	–	(55)
Other payables	21	(12)	(15)
Provisions	26	(29)	(41)
		(1,938)	(1,578)
Net assets		346	534
Attributable to equity shareholders of the parent company			
Share capital	30	389	389
Share premium		120	120
Merger and other reserves		308	273
Translation reserve		11	24
Available for sale reserve		8	6
Retained losses		(491)	(286)
Total equity attributable to equity shareholders of the parent company		345	526

Non-controlling interests	1	8
Total equity	346	534

Ian Griffiths

Group Finance Director

Consolidated statement of changes in equity

	Attributable to equity shareholders of the parent company						Total £m	Non-controlling interests £m	Total equity £m
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained losses £m			
Balance at 1 January 2009	389	120	273	24	6	(286)	526	8	534
Total comprehensive income for the year									
Profit	–	–	–	–	–	91	91	3	94
Other comprehensive income/(cost)									
Revaluation of available for sale financial assets	–	–	–	–	2	–	2	–	2
Exchange differences on translation of foreign operations	–	–	–	(4)	–	–	(4)	–	(4)
Amounts recycled to the income statement in respect of cash flow hedges	–	–	–	(9)	–	–	(9)	–	(9)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(391)	(391)	–	(391)
Income tax on other comprehensive income	–	–	–	–	–	101	101	–	101
Total other comprehensive income/(cost)	–	–	–	(13)	2	(290)	(301)	–	(301)
Total comprehensive income/(cost) for the year	–	–	–	(13)	2	(199)	(210)	3	(207)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Equity dividends	–	–	–	–	–	–	–	(2)	(2)
Equity portion of the convertible bond	–	–	35	–	–	1	36	–	36
Movements due to share-based compensation	–	–	–	–	–	8	8	–	8
Total contributions by and distributions to owners	–	–	35	–	–	9	44	(2)	42
Change in ownership interest in subsidiaries that do not result in a loss of control									
Non-controlling interest acquired	–	–	–	–	–	(15)	(15)	(8)	(23)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	(15)	(15)	(8)	(23)
Total transactions with owners	–	–	35	–	–	(6)	29	(10)	19
Balance at 31 December 2009	389	120	308	11	8	(491)	345	1	346

Merger and other reserves

Merger and other reserves at 31 December 2009 include merger reserves arising on the Granada/Carlton and previous mergers of £119 million (2008: £119 million), capital reserves of £112 million (2008: £112 million), capital redemption reserves of £36 million (2008: £36 million), revaluation reserves of £6 million (2008: £6 million) and £35 million (2008: £nil) in respect of the equity element of the 2016 convertible bond. In 2008 a transfer of £2,429 million between retained losses and merger reserves was made in respect of the impairment of goodwill that arose on the Granada/Carlton and other mergers.

Translation reserve

The translation reserve comprises all foreign exchange differences arising on the translation of the accounts of, and investments in, foreign operations. Included within the movement in the year is £9 million recycled to the income statement in respect of cash flow hedges (2008: £4 million movement).

Available for sale reserve

The available for sale reserve comprises all movements arising on the revaluation and disposal of assets accounted for as available for sale (see note 24).

Non-controlling interests

Included within the net £7 million movement in the year is £3 million profit attributable to non-controlling interests, net of £2 million for dividends paid to such interests and £8 million in respect of the 25% non-controlling interest element purchased in GMTV in November 2009.

	Attributable to equity shareholders of the parent company						Total £m	Non-controlling interests £m	Total equity £m
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings/(losses) £m			
Balance at 1 January 2008	389	120	2,702	4	4	14	3,233	6	3,239
Total comprehensive income/(cost) for the year									
(Loss)/profit	–	–	–	–	–	(2,556)	(2,556)	2	(2,554)
Other comprehensive income/(cost)									
Revaluation of available for sale financial assets	–	–	–	–	2	–	2	–	2
Exchange differences on translation of foreign operations	–	–	–	16	–	–	16	–	16
Movement in respect of cash flow hedges	–	–	–	4	–	–	4	–	4
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(124)	(124)	–	(124)
Income tax on other comprehensive income	–	–	–	–	–	35	35	–	35
Transfer from merger reserve	–	–	(2,429)	–	–	2,429	–	–	–
Total other comprehensive costs	–	–	(2,429)	20	2	2,340	(67)	–	(67)
Total comprehensive income/(costs) for the year	–	–	(2,429)	20	2	(216)	(2,623)	2	(2,621)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Equity dividends	–	–	–	–	–	(96)	(96)	–	(96)
Movements due to share-based compensation	–	–	–	–	–	12	12	–	12
Total contributions by and distributions to owners	–	–	–	–	–	(84)	(84)	–	(84)
Total transactions with owners	–	–	–	–	–	(84)	(84)	–	(84)
Balance at 31 December 2008	389	120	273	24	6	(286)	526	8	534

Consolidated statement of cash flows

For the year ended 31 December:	Note	£m	2009 £m	£m	2008 £m
Cash flows from operating activities					
Operating profit/(loss) before exceptional items		143		(2,550)	
Depreciation of property, plant and equipment	12	38		36	
Amortisation and impairment of intangible assets	13	59		2,761	
Share-based compensation	7	11		10	
Decrease/(increase) in programme rights and other inventory, and distribution rights		125		(82)	
Decrease/(increase) in receivables		11		(34)	
(Decrease)/increase in payables		(15)		49	
Movement in working capital		121		(67)	
Cash generated from operations before exceptional items			372		190
Cash flow relating to operating exceptional items:					
Net operating income/(costs)	5	53		(97)	
(Increase)/decrease in payables and provisions and the impact of the exceptional pension gain		(116)		57	
Cash outflow from exceptional items			(63)		(40)
Cash generated from operations			309		150
Defined benefit pension deficit funding		(31)		(39)	
Interest received		44		40	
Interest paid on bank and other loans		(116)		(99)	
Interest paid on finance leases		(4)		(4)	
Net taxation received		41		43	
			(66)		(59)
Net cash inflow from operating activities			243		91
Cash flows from investing activities					
Acquisition of subsidiary undertakings, net of cash and cash equivalents acquired and debt repaid on acquisition	29	(50)		(6)	
Proceeds from sale of assets held for sale		–		35	
Proceeds from sale of property, plant and equipment		4		1	
Acquisition of property, plant and equipment		(14)		(32)	
Acquisition of intangible assets		(13)		(21)	
Acquisition of associates and joint ventures		–		(3)	
Loans granted to associates and joint ventures	14	(6)		(26)	
Loans repaid by associates and joint ventures	14	4		20	
Proceeds from sale of subsidiaries and available for sale investments		4		–	
Net cash outflow from investing activities			(71)		(32)
Cash flows from financing activities					
Bank and other loans – amounts repaid		(508)		(25)	
Bank and other loans – amounts raised		516		110	
Capital element of finance lease payments		(7)		(6)	
Acquisition of non-controlling interests	29	(23)		–	
Dividends paid to non-controlling interest		(2)		–	
Repayment of loan by employees' benefit trust		–		2	
Purchase of own shares via employees' benefit trust		(3)		–	
(Purchase)/sale of held to maturity investments	22	(150)		100	
Equity dividends paid		(25)		(123)	
Net cash (outflow)/inflow from financing activities			(202)		58
Net (decrease)/increase in cash and cash equivalents			(30)		117
Cash and cash equivalents at 1 January	22		616		498
Effects of exchange rate changes and fair value movements on cash and cash equivalents					
			–		1
Less: cash related to disposal group (note 28)	28		(4)		–
Cash and cash equivalents at 31 December	22		582		616

Notes to the accounts

1 Accounting policies

1.1) Basis of preparation

The financial information in this preliminary announcement represents non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2009, upon which an unqualified audit opinion has been given and which did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006, will be sent to the Registrar of Companies following the Companies Annual General Meeting.

The Group accounts consolidate those of ITV plc, ("the Company"), a company domiciled in the United Kingdom and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and jointly controlled entities.

As required by EU law (IAS Regulation EC 1606/2002) the Group's accounts have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

The accounts are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies below.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

The disclosures in respect of liquidity risk and going concern included in the Financial review above form part of the audited accounts.

The Group has adopted the following standards and amendments effective from 1 January 2009 that are relevant to these financial statements:

- IAS 1 "Amendments to IAS 1 Presentation of Financial Statements – A revised presentation". The Group has presented both a consolidated statement of comprehensive income and a consolidated statement of changes in equity as primary financial statements. The consolidated statement of comprehensive income effectively replaces the consolidated statement of recognised income and expense. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, where as all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The Group has elected to present a separate consolidated income statement. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the adoption of this accounting standard only impacts presentation aspects there is no impact on earnings/(loss) per share.
- IFRS 2 "Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations". The definition of vesting conditions has been amended to clarify that vesting conditions are limited to service conditions and performance conditions. Conditions other than service or performance conditions are considered non-vesting conditions. This has had no material impact on the Group's results.
- IFRS 7 "Amendments to IFRS 7 Improving Disclosures about Financial Instruments". These amendments enhance disclosures over fair value measurements relating to financial instruments and improving disclosures over liquidity risk. Specifically, as a result of adopting the amendment, the Group has introduced a three-level disclosure hierarchy for financial instruments held at fair value (see note 24). Since the adoption of this accounting standard only impacts presentation aspects there is no impact on earnings/(loss) per share.
- Improvements to IFRS 1 – Various standards amended – The improvements contain 24 amendments that result in accounting changes for presentation, recognition or measurement purposes and 11 terminology or editorial amendments that have no or only minimal effects on accounting but have been reflected where relevant in the accounting policies set out in Note 1.2 to 1.30.

The Group has also chosen to early adopt the following standards that are effective from 1 July 2009:

- IFRS 3 "Business Combinations (2008)" and IAS 27 "Consolidated and Separate Financial Statements (2008)" for all business combinations and acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009. The Group has applied these standards for the acquisitions disclosed in note 29. Under the new accounting policy, the acquisition of the non-controlling interest of 25% in GMTV is accounted for as a transaction with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of acquisition. The change in accounting policy is applied prospectively and had no material impact on earnings/(loss) per share.

The accounting policies set out below, except as noted above, have been applied consistently in presenting the consolidated financial information.

1.2) Revenue recognition

Revenue is stated exclusive of VAT and consists of sales of goods and services to third parties. Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership and control of the goods sold and the amount of revenue can be measured reliably. Key classes of revenue are recognised on the following bases:

Advertising and sponsorship	on transmission
Programme production	on delivery
Programme rights	when contracted and available for exploitation
Participation revenues	as the service is provided

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

Participation revenues relate to interactive and 'red button' services.

1.3) Segmental analysis

In accordance with IFRS 8, operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors, the chief operating decision maker.

1.4) Subsidiaries, associates, special purpose entities and joint ventures

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

A joint venture is an entity in which the Group holds an interest under a contractual arrangement where the Group and one or more other parties undertake an economic activity that is subject to joint control. The Group accounts for its interests in joint ventures using the equity method.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of an entity but is not control or joint control over those policies. These investments are accounted for using the equity method. Under the equity method the investment in the entity is stated as one line item at cost plus the investor's share of retained post-acquisition profits and other changes in net assets.

The Group establishes special purpose entities (SPEs) for trading and investment purposes. An SPE is consolidated if, based on an evaluation of the substance of its relationships with the Group and the SPE's risks and rewards, it is concluded that the Group controls the SPE. SPEs controlled by the Group are established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incidental to the SPE's activities and receive the majority of the residual or ownership risks related to the SPE's or their assets.

1.5) Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

1.6) Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

1.7) Intangible assets

Business combinations and goodwill All business combinations that have occurred since 1 January 2009 are accounted for by applying the acquisition method. Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Subsequent adjustments to the fair values of net assets acquired are made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. The Group measures a non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred. All business combinations that have occurred since 1 January 2004 to 31 December 2008 have been accounted for by applying the purchase method in accordance with IFRS 3 "Business Combinations (2004)". Goodwill on these combinations represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired.

For business combinations prior to 1 January 2004, but after 30 September 1998, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at that time less amortisation up to 31 December 2003. The classification and accounting treatment of business combinations occurring prior to 1 January 2004, the date of transition to IFRS, has not been reconsidered as permitted under IFRS 1. Goodwill is stated at its recoverable amount being cost less any accumulated impairment losses and is allocated to cash generating units.

Goodwill arising on acquisitions prior to 30 September 1998 was recognised as a deduction from equity.

Other intangible assets Other intangible assets acquired by the Group are stated at cost less accumulated amortisation except those identifiable intangible assets acquired as part of a business combination which are shown at fair value at the date of acquisition less accumulated amortisation. Identifiable intangible assets are those which can be sold separately or which arise from legal rights.

In determining the fair value of intangible assets arising on acquisition the directors are required to make judgements regarding the timing and amount of future cash flows applicable to the businesses being acquired, discounted using an appropriate

discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates, expected changes to selling prices, operating costs and the expected useful lives of assets following purchase. Judgements are also made regarding whether and for how long licences will be renewed. The directors estimate the appropriate discount rate using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired. The values of brands acquired are assessed by applying a royalty rate to the expected future revenues over the life of the brand. Licences are valued on a start-up basis. Customer relationships and contracts are valued based on expected future cash flows from those existing at the date of acquisition. Contributory charges from other assets are taken as appropriate with cash flows then being discounted back to their present value.

Amortisation Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Goodwill is not amortised but is tested for impairment at each reporting date. Internally generated software development costs in relation to itv.com are expensed as incurred. The estimated useful lives and amortisation methods for each major class of intangible asset are as follows:

Film libraries	Sum of digits	20 years
Licences	Straight line	11 to 17 years
Brands	Straight line	up to 11 years
Customer contracts	Straight line	up to 6 years
Customer relationships	Straight line	5 to 10 years
Software development costs	Straight line	1 to 5 years

1.8) Impairment of assets

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

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

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

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

1.9) Programme rights

Where programming, sports rights and film rights are acquired for the primary purpose of broadcasting, these are recognised within current assets.

Assets are recognised when the Group controls, in substance, the respective assets and the risks and rewards associated with them. For acquired programme rights assets are recognised as payments are made and are recognised in full when the acquired programming is available for transmission. Programming produced internally, either for the purpose of broadcasting or to be sold in the normal course of the Group's operating cycle, is recognised within current assets at production cost.

Programme costs and rights, including those acquired under sale and leaseback arrangements, are written off to operating costs in full on first transmission except certain film rights and programming for digital channels which are written off over a number of transmissions. Programme costs and rights not yet written off are included in the statement of financial position at the lower of cost and net realisable value. In assessing net realisable value consideration is given to the contracted sales price and estimated costs to complete for programmes in production, and the estimated airtime value of programme stock, sports rights and film rights. In assessing the airtime value of programme stock and film rights consideration is given to whether the number of transmissions purchased can be efficiently played out over the licence period. Any reversals of write downs for programme costs and rights are recognised as a reduction in operating costs.

ITV entered into sale and leaseback agreements in relation to certain programme titles. Related outstanding sale and leaseback obligations, which comprise the principal and accrued interest, are included within borrowings. The finance related element of the agreement is charged to the income statement over the term of the lease on an effective interest basis. Sale and leaseback obligations are secured against an equivalent cash balance held within cash and cash equivalents.

1.10) Trade receivables

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

1.11) Taxation

The tax charge for the period comprises both current and deferred tax and is based on tax rates that are enacted or substantively enacted at the reporting date. Taxation is recognised in the income statement, the statement of comprehensive income and the statement of changes in equity according to the accounting treatment of the related transaction.

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income. Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set off.

1.12) Employee benefits

Defined contribution schemes Obligations under the Group's defined contribution schemes are recognised as an operating cost in the income statement as incurred.

Defined benefit schemes The Group's obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of scheme assets is deducted. The discount rate used is the yield at the valuation date on high quality corporate bonds. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions which include life expectancy of members, expected salary and pension increases, inflation and the return on scheme assets. It is important to note, however, that comparatively small changes in the assumptions used may have a significant effect on the income statement and statement of financial position.

The calculations are performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they arise through the statement of comprehensive income.

Share-based compensation The Group operates a number of share-based compensation schemes. The fair value of the equity instrument is measured at grant date and spread over the vesting period through the income statement with a corresponding increase in equity. The fair value of the share options and awards is measured using either a Monte Carlo or Black-Scholes model as appropriate taking into account the terms and conditions of the individual scheme. Under these valuation methods, the share price for ITV plc is projected to the end of the performance period as is the Total Shareholder Return for ITV plc and the companies in the comparator groups. Based on these projections, the number of awards that will vest and their present value is determined. The valuation of these share-based payments also requires estimates to be made in respect of the number of options that are expected to be exercised. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. Vesting conditions are limited to service conditions and performance conditions. Conditions other than service or performance conditions are considered non-vesting conditions. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1.13) Derivative financial instruments and hedging activities

The Group uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and other foreign exchange rates. The Group does not hold or issue derivative instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the income statement within net financing costs. Derivatives with a positive fair value are recorded as assets and negative fair values as liabilities.

The fair value of foreign currency forward contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of swap counterparties.

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

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

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

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

1.14) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation arising from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be measured reliably. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost. These provisions are estimates for which the amount and timing of actual cash flows are dependent on future events.

1.15) Property, plant and equipment

Owned assets Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that had been revalued to fair value prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount less depreciation up to the date of transition.

Leases Finance leases are those which transfer substantially all the risks and rewards of ownership to the lessee. Assets held under such leases are capitalised within property, plant and equipment and depreciated on a straight line basis over their estimated useful lives. Outstanding finance lease obligations, which comprise the principal plus accrued interest, are included within borrowings. The finance element of the agreements is charged to the income statement over the term of the lease on an effective interest basis.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight line basis over the lease term.

Depreciation Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value on a straight line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Freehold land	not depreciated
Freehold buildings	up to 60 years
Leasehold properties	shorter of residual lease term or 60 years
Leasehold improvements	shorter of residual lease term or estimated useful life
Vehicles, equipment and fittings	3 to 20 years

1.16) Distribution rights

Programme rights acquired primarily for the purposes of distribution are classified within the statement of financial position as non-current assets. They are recognised initially at cost and charged through the income statement over either a three or five year period depending on genre.

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

1.17) Available for sale financial assets

Available for sale financial assets comprise gilts and equity securities that do not meet the definition of subsidiaries, joint ventures or associates.

They are stated at fair value, with any resultant gain or loss recognised directly in the available for sale reserve in equity, unless the loss is a permanent impairment when it is recorded in the income statement.

1.18) Foreign currencies

Functional and presentational currency Items included in the financial statements in each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in pounds sterling ("£"), which is the Company's functional and presentational currency.

Foreign currency transactions Transactions in foreign currencies are translated into the functional currency of the respective Group entity at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the reporting date are translated into the functional currency of the respective Group entity at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of the transaction.

Financial statements of foreign operations The assets and liabilities of foreign operations are translated into the functional currency of the Group at the rate of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated into the functional currency of the Group at the average rate of exchange ruling during the financial period. Exchange differences arising on translation are recognised directly in the translation reserve in equity and in other comprehensive income.

Net investment in foreign operations Exchange differences arising on the translation of the net investment in foreign operations are taken directly to the translation reserve within equity.

In respect of all foreign operations only those translation differences arising since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. On disposal of an investment in a foreign operation the associated translation reserve balance is released to the income statement as part of the gain or loss on disposal.

1.19) Exceptional items

Exceptional items, as disclosed on the face of the income statement, are items which due to their material and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts. They are included in the adjustments that, in management's judgement, are required in order to show more accurately the business performance of the Group in a consistent manner and to reflect how the business is managed and measured on a day-to-day basis.

1.20) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits with maturity of less than or equal to three months from the date of acquisition, cash held to meet certain finance lease commitments and gilts over which unfunded pension promises have a charge.

1.21) Trade payables

Trade payables are recognised initially at fair value and subsequently at amortised cost.

1.22) Borrowings

Borrowings are recognised initially at fair value including directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. The difference between the amount initially recognised and the redemption value is recorded in the income statement over the period of the liability on an effective interest basis.

Where the Group has identified that any such liabilities result in a mismatch between the accounting liability and the related derivative, the Group has adopted the fair value option provision of IAS 39 (revised) to eliminate this accounting mismatch. Management consider that this fair value treatment is more appropriate than amortised cost as the movements in these financial instruments largely offset each other and, as a result, they are managed on an aggregated basis. The effect of this is that the Group recognises any such financial liabilities at fair value in all periods subsequent to initial recognition, with resultant gains or losses recorded in the income statement.

1.23) Non-current assets held for sale, disposal groups and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, non-current assets or components of a disposal group are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro-rata basis except to programming rights and other inventory, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale. Assets classified as held for sale are disclosed separately on the face of the statement of financial position and classified as current assets or liabilities, with disposal groups being separated between assets held for sale and liabilities held for sale.

Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations. The income statement for the comparative period is re-presented to show the discontinued operations separate from the continuing operations.

1.24) ITV shares held by Employees' Benefit Trust (EBT)

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

1.25) Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

1.26) Investment income

Investment income comprises dividends received from the Group's investments. Dividend income is recognised in the income statement on the date the Group's right to receive payment is established.

1.27) Net financing costs

Net financing costs comprises interest income on funds invested (including gilts classified as available-for-sale financial assets), gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments classified at fair value through profit or loss, interest expense on borrowings and finance leases, unwinding of the discount on provisions and foreign exchange gains/losses. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

1.28) Derecognition and recognition

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are derecognised from the balance sheet when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

1.29) Held to maturity assets

Where the Group has the positive intent and ability to hold financial assets to maturity, they are classified as held to maturity. Held to maturity financial assets are recognised initially at fair value including any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

1.30) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

1.31) Application of new EU endorsed accounting standards, amendments to existing EU endorsed standards and interpretations

Set out below are the standards, amendments and interpretations that are effective in 2009 but are not considered relevant to the Group's results:

New standards, amendments and interpretations endorsed by the EU and effective in 2009

Not relevant to the Group's results

IAS 39	Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition.	This amendment clarified the effective date and transition requirements of the amendment to IAS 39, and states that the entities will apply this amendment on or after 1 July 2008.
IAS 23	Amendment to IAS 23 Borrowing Costs.	Comprehensive revision to prohibit immediate expensing of borrowing costs for costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
IFRS 1 & IAS 27	Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate.	The amendments allow first-time adopters relief from certain requirements of IAS 27 and by removing the definition of the cost method from the standard and replacing it with a requirement to present dividends as income in the separate financial statements of the investor.
IAS 1 & IAS 32	Financial Instruments: Presentation – Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation.	The amendments provide exemptions from the requirement to classify as a liability, financial instruments under which an entity has an unavoidable obligation to deliver cash.
IFRIC 12	Service Concession Arrangements.	This interpretation provides guidance to operators of public to private service concession arrangement in relation to certain recognition and measurement issues.
IFRIC 15	Agreements for the Construction of Real Estate.	This interpretation deals with the accounting for revenue arising from agreements for the construction of real estate.
IFRIC 16	Hedges of a Net Investment in A Foreign Operation.	This interpretation deals with hedge accounting for the foreign currency risk arising from a net investment in a foreign operation.

Other than those standards the Group has elected to adopt early (as disclosed in Note 1.1), a number of new standards, amendments and interpretations are not yet effective for the Group and have not been applied in preparing these consolidated financial statements.

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

Not relevant to the Group's results

IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items.	The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment addresses two particular situations, including the designation of a one-sided risk in a hedged item; and the designation of inflation in particular situations. The amendment applies to hedging relationships in the scope of IAS 39 and is effective for annual periods beginning on or after 1 July 2009.
IFRIC 9 & IAS 39	Amendments to IFRIC 9 and IAS 39 Embedded Derivatives.	Amendment to IFRIC 9 and IAS 39 requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category and is effective for annual periods beginning on or after 30 June 2009.
IFRIC 17	Distributions of Non-Cash Assets to Owners.	The interpretation addresses the accounting when an entity distributes non-cash assets as dividends to its owners, by focusing on the measurement of the dividend payable and is effective for annual periods beginning on or after 1 July 2009.
IFRIC 18	Transfers of assets from customers.	This interpretation deals with the accounting for contributed property, plant and equipment, whereby an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. It is effective for annual periods beginning on or after 1 July 2009.
IAS 32	Classification of Rights Issues.	The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

2 Operating segmental information

The Board of Directors considers the business primarily from a product perspective. The reportable segments are therefore Broadcasting & Online, ITV Studios and Other. All of the segments reported meet the quantitative thresholds required by IFRS 8, which the Group first adopted in 2007.

Management has determined the reportable segments based on the reports reviewed by the Board of Directors. The Broadcasting & Online segment now includes the results of the previously disclosed Online segment which is now managed as part of the Broadcasting business.

The comparatives have been restated in this note to reflect this significant change in the nature of the Group's operations. The Global Content segment has changed its name to ITV Studios to reflect the rebranding of this business during the year.

Broadcasting & Online is responsible for commissioning and scheduling programmes on the ITV channels, marketing and programme publicity and online rights exploitation. It derives its revenue primarily from the sale of advertising airtime and sponsorship. Other sources of revenue are from online advertising, premium rate services and the digital terrestrial multiplex, SDN. The Broadcasting & Online segment also includes the Group's investment in STV Group plc.

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

Other comprises the Group's 100% interest in Carlton Screen Advertising ("CSA"), which sells cinema screen advertising in the UK, and was put into creditors voluntary liquidation in the year and its 50% interest in Screenvision US and Europe, which operate cinema screen advertising businesses in continental Europe and the United States and were held for sale at the reporting date.

The segment information provided for the reportable segments for the years ended 31 December 2009 and 31 December 2008 is as follows:

	Broadcasting & Online		ITV Studios		Other		Consolidated	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Total segment revenue	1,543	1,683	597	622	1	40	2,141	2,345
Intersegment revenue	–	–	(262)	(316)	–	–	(262)	(316)
Revenue from external customers	1,543	1,683	335	306	1	40	1,879	2,029
EBITA before exceptional items	111	120	91	90	–	1	202	211
Share of (loss)/profit from joint ventures and associated undertakings	(4)	(4)	–	–	(3)	(11)	(7)	(15)
Total segment assets	1,295	1,704	745	645	–	65	2,040	2,414
Total assets include:								
Investments in associates and joint ventures	3	14	2	1	–	51	5	66
Additions to non-current assets (other than financial instruments)	35	37	29	44	–	10	64	91
Total segment liabilities	(489)	(519)	(256)	(294)	–	(5)	(745)	(818)

Depreciation in the year was £38 million (2008: £36 million), of which £25 million (2008: £25 million) relates to the Broadcasting & Online, £13 million (2008: £10 million) to ITV Studios and £nil (2008: £1 million) to Other.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with the income statement. Income statement and statement of financial position allocations between reportable segments are performed on a consistent basis with the exception of pension costs, which are allocated, and pension assets and liabilities, which are not. This reflects the basis of reporting to the Board of Directors.

The Board of Directors assess the performance of the reportable segments based on a measure of EBITA before exceptional items, which is defined as operating profit/(loss) before impairment and amortisation of intangible assets and operating income/(cost) – exceptional items.

This measurement basis excludes the effect of non-recurring income and expenditure. Amortisation, investment income and share of profit/(losses) of joint ventures and associates are also excluded to reflect more accurately how the business is managed and measured on a day to day basis. Net financing costs are not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of EBITA before exceptional items to profit/(loss) before tax is provided as follows:

	2009 £m	2008 £m
EBITA before exceptional items	202	211
Operating income/(costs) – exceptional items	53	(97)
Amortisation and impairment of intangible assets	(59)	(2,761)
Net financing costs	(91)	(60)
Share of losses of joint ventures and associated undertakings	(7)	(15)
Investment income	–	1
Loss on sale and impairment of non-current assets (exceptional items)	(22)	(17)
(Loss)/gain on sale and impairment of subsidiaries and investments (exceptional items)	(51)	6
Profit/(loss) before tax	25	(2,732)

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	2009 £m	2008 £m
Segment assets	2,040	2,414
Unallocated:		
Held to maturity investments	149	–
Assets held for sale	78	3
Total derivative financial assets	156	218
Net deferred tax assets	50	–
Cash and cash equivalents	582	616
Total assets per the statement of financial position	3,055	3,251

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2009 £m	2008 £m
Segment liabilities	745	818
Unallocated:		
Interest accruals	23	30
Dividends payable	–	25
Total derivative financial liabilities	34	32
Total borrowings	1,440	1,523
Current tax liabilities	31	56
Net deferred tax liability	–	55
Defined benefit pension deficit	436	178
Total liabilities per the statement of financial position	2,709	2,717

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom is £1,621 million (2008: £1,821 million), and the total revenue from external customers in other countries is £258 million (2008: £208 million).

The total of non-current assets other than financial instruments, deferred tax assets, and employment benefit assets (there are no rights arising under insurance contracts) located in the UK is £1,212 million (2008: £1,443 million), and the total of these non-current assets located in other countries is £1 million (2008: £1 million).

Revenues of approximately £324 million (2008: £382 million), £226 million (2008: £236 million), £194 million (2008: £222 million) and £190 million (2008: £193 million) are derived from four external customers. The Group's major customers are all media buying agencies.

These revenues are attributable to the Broadcasting & Online segment and are from the only customers which individually represent over 10% of the Group's revenues.

3 Staff costs

	2009 £m	2008 £m
Wages and salaries	244	287
Social security and other costs	33	36
Share-based compensation (see note 7)	11	10
Pension costs	16	14
Total	304	347

Staff costs within exceptional items were £32 million (2008: £26 million) principally relating to redundancy payments and reorganisation costs.

Total staff costs including exceptional items for the year ended 31 December 2009 are £336 million (2008: £373 million).

In addition to the pension costs shown above, is a net debit to net financing costs of £15 million (2008: credit of £16 million) and a net debit to retained earnings in respect of actuarial losses of £391 million (2008: losses of £124 million).

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

	2009	2008
Broadcasting & Online	2,606	3,120
ITV Studios	1,908	2,338
Other	5	139
Total	4,519	5,597

4 Total operating costs

	2009 £m	2008 £m
Staff costs		
Before exceptional items	304	347
Exceptional items	32	26
	336	373
Depreciation, amortisation and impairment		
Amortisation and impairment of intangible assets	59	2,761
Depreciation	38	36
	97	2,797
Other operating costs		
Broadcasting schedule costs	1,006	1,125
Broadcasting transmission costs	97	94
Broadcasting industry costs	40	44
Licence fees	22	30
CSA direct costs	1	33
ITV Studios non-staff costs	233	217
Operating lease costs	14	19
Other operating exceptional items	(85)	71
Audit and non-audit fees paid to KPMG Audit Plc (see below)	2	2
Other	106	97
	1,436	1,732
Less: Staff costs and other costs charged to broadcasting schedule costs	(186)	(226)
Total operating costs	1,683	4,676

ITV Studios non-staff costs are net of the recharge for programmes supplied to ITV Broadcasting channels (which is eliminated on consolidation as internal revenue).

The Group engages KPMG Audit Plc ("KPMG") on assignments additional to their statutory audit duties where their expertise and experience with the Group are important.

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

	2009 £m	2008 £m
Fees payable to KPMG for the audit of the Group's annual accounts	0.7	0.9
Fees payable to KPMG and its associates for other services:		
The audit of the Group's subsidiaries pursuant to legislation	0.2	0.2
Other services supplied pursuant to legislation	0.4	0.1
Other services relating to taxation	0.2	0.5
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Group or any of its associates	0.6	0.6
All other services	0.1	–
Total	2.2	2.3

Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis.

5 Exceptional items

	2009 £m	2009 £m	2008 £m	2008 £m
Operating exceptional items:				
Reorganisation and restructuring costs		(40)		(40)
PRS reimbursements and fines		–		(6)
Onerous contract provisions		(1)		(50)
Onerous property provision		(14)		–
Pension Scheme changes		110		–
Kangaroo closure costs		(2)		(1)
Total net operating exceptional items		53		(97)
Non-operating exceptional items:				
Loss on sale and impairment of non-current assets		(22)		(17)
(Loss)/gain on sale, net of impairment, of subsidiaries, joint ventures and associates	(52)		17	
Gain/(loss) on sale, net of impairment, of available for sale financial assets	(1)		(7)	
Gain/(loss) from sale of Kangaroo joint venture assets	2		(4)	
(Loss)/gain on sale and impairment of subsidiaries and investments		(51)		6
Total non-operating exceptional items		(73)		(11)
Total exceptional items before tax		(20)		(108)

2009

In 2009 a charge of £40 million was incurred in respect of reorganisation and restructuring costs in relation to announced efficiency savings programmes.

An increase in provisions in respect of onerous contracts for sports rights of £1 million were put in place in 2009 as a consequence of the forecast significant decline in the advertising market over the life of those contracts.

A £14 million charge was incurred in respect of a property vacated as a result of the significant headcount reductions in the year.

Pension scheme changes have taken place following consultation with the Scheme members to implement a cap on increases to pensionable salary levels and to offer retired members the option of altering the structure of their pension by receiving an uplift now in return for giving up rights to future annual increases. Both of these changes will reduce the future cost and risks of operating the Pension Schemes and have resulted in a gain of £110 million, £38 million of which relates to a past service cost and £72 million to a curtailment gain (see note 6), and a corresponding reduction in the defined benefit pension deficit.

A £2 million charge was incurred in the year relating to closure costs associated with Kangaroo. A £2 million gain is included within non-operating exceptional items. This reverses an impairment taken in the prior year in respect of the Group's investment in Kangaroo following the sale of the joint venture's tangible assets during the year.

The £22 million charge for loss on sale and impairment of non-current assets relates to a £5 million impairment on properties included within assets held for sale to reflect their estimated market value, a £14 million impairment on property, plant and equipment to reflect their estimated recoverable amount and a net £3 million loss on the disposal of property plant and equipment. This includes a £2 million gain on disposal of a Manchester property for £2 million cash consideration, offset by the disposal of plant and equipment with a net book value of £5 million for £nil cash consideration following the efficiency reviews, primarily in regional news and studios related properties.

The net £52 million loss on sale, net of impairment, of subsidiaries, joint ventures and associates includes an impairment loss of £32 million on the remeasurement of the Friends Reunited disposal group to the lower of its carrying amount and fair value less costs to sell. It also includes a net loss on sale of subsidiaries of £5 million, £6 million loss on the sale of Enable Media Limited offset by a £1 million gain on the sale of JFMG Limited. Net impairments of joint ventures and associates of £9 million include £7 million for ITN. The remaining £2 million of this comprises numerous movements disclosed in note 14. A £6 million charge was also incurred during the year in relation to Carlton Screen Advertising Limited being put into creditors' voluntary liquidation. The charge incurred is equal to the value of its net assets no longer consolidated by the Group following the transfer of control of the

entity to the liquidator. The Group has a £29 million other debtor due from Carlton Screen Advertising Limited, which is fully provided for pending the outcome of the liquidation.

The net £1 million loss on sale, net of impairment, of available for sale assets includes a £1 million impairment incurred on marking the Group's investment in STV Group plc to its fair value following a significant and sustained decline in its share price, a £1 million impairment of the Group's 10% investment in Electric Farm Entertainment LLC and a £1 million gain on disposal of shares in Ambassador Theatre Group Limited.

2008

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

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

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

A £1 million charge was incurred in the year relating to closure costs associated with Kangaroo. A £4 million charge, included within non-operating exceptional items, related to the impairment of the joint venture investment to £nil.

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

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

An impairment of the holding in STV Group plc, which is held in the Broadcasting segment, of £7 million was made in 2008 following a significant and sustained decline in its share price.

6 Pension schemes

The Group operates a number of defined benefit and defined contribution pension schemes.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation.

Defined contribution schemes

Total contributions recognised as an expense in relation to defined contribution schemes during 2009 were £4 million (2008: £4 million).

Defined benefit schemes

The Group provides retirement benefits to some of its former employees and approximately 25% of current monthly paid employees through defined benefit schemes. The Group's main scheme was formed from a merger of a number of schemes on 31 January 2006. The level of retirement benefit is principally based on pensionable salary at retirement.

The liabilities of the defined benefit scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. This amount is reflected in the deficit in the consolidated statement of financial position. The projected unit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The accumulated benefit obligation is an actuarial measure of the present value of benefits for service already rendered but differs from the projected unit method in that it includes an allowance for early leaver statutory revaluation rather than projected pensionable salary increases. At the reporting date the accumulated benefit obligation was £2,720 million (2008: £2,310 million).

The assets and liabilities of all of the Group's defined benefit pension schemes recognised in the consolidated statement of financial position at 31 December 2009 under IAS 19 (as explained in detail in this note) were £2,251 million (2008: £2,161 million) and £2,687 million (2008: £2,339 million) respectively, resulting in a net deficit in the defined benefit schemes of £436 million (2008: £178 million).

An alternative method of valuation to the projected unit method is a solvency basis, often estimated using the cost of buying out benefits at the consolidated statement of financial position date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities at the consolidated statement of financial position date rather than the Group continuing to fund the ongoing liabilities of the scheme. The Group estimates the shortfall in the amount required to settle the scheme's liabilities at the consolidated statement of financial position date is £1,500 million (2008: £1,800 million).

The statutory funding objective is that the scheme has sufficient and appropriate assets to pay its benefits as they fall due. This is a long-term target. Future contributions will always be set at least at the level required to satisfy the statutory funding objective. The general principles adopted by the trustees are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

The Group's main scheme, formed by merger on 31 January 2006, consists of three sections, A, B and C. The first triennial valuation of section A was completed as at 1 January 2008 by an independent actuary for the Trustees of the ITV Pension Scheme. The first triennial valuation of sections B and C were completed as at 1 January 2007 and the next triennial valuation of these sections are being undertaken as at 1 January 2010. The Group will monitor funding levels annually.

The levels of ongoing contributions are based on the current service costs and the expected future cash flows of the defined benefit scheme. Normal employer contributions into the schemes in 2010 for current service are expected to be in the region of £9 million (2009: £11 million) assuming current contribution rates continue as agreed with the scheme trustees. In addition, deficit funding payments of £30 million per annum are expected for the next four years. The Group estimates the average duration of UK scheme liabilities to be 14 years (2008: 14 years).

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

	2009 £m	2008 £m
Defined benefit obligation at 1 January	2,339	2,603
Current service cost	7	12
Curtailement gain (redundancies)	(2)	(2)
Operating exceptional curtailment gain (salary cap)	(72)	–
Past service cost (augmentations)	1	–
Operating exceptional past service credit (one off change to pension payment)	(38)	–
Interest cost	143	146
Net actuarial loss/(gain)	439	(314)
Contributions by scheme participants	4	6
Benefits paid	(134)	(112)
Defined benefit obligation at 31 December	2,687	2,339

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

	2009 £m	2008 £m
Defined benefit obligation in respect of funded schemes	2,653	2,309
Defined benefit obligation in respect of wholly unfunded schemes	34	30
Total defined benefit obligation	2,687	2,339

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

	2009 £m	2008 £m
Fair value of scheme assets at 1 January	2,161	2,491
Expected return on assets	128	162
Net actuarial gain/(loss)	48	(438)
Employer contributions	44	52
Contributions by scheme participants	4	6
Benefits and expenses paid	(134)	(112)
Fair value of scheme assets at 31 December	2,251	2,161

The assets and liabilities of the scheme are recognised in the consolidated statement of financial position and shown within non-current liabilities. The total recognised is:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Total defined benefit scheme assets	2,251	2,161	2,491	2,372	2,072
Total defined benefit scheme obligations	(2,687)	(2,339)	(2,603)	(2,657)	(2,604)
Net amount recognised within the consolidated statement of financial position	(436)	(178)	(112)	(285)	(532)

Amounts recognised through the income statement are as follows:

	2009 £m	2008 £m
Amount charged to operating costs:		
Current service cost	(7)	(12)
Curtailment gain (redundancies)	2	2
Past service cost (augmentations)	(1)	–
	(6)	(10)
Amount credited to operating income - exceptional items:		
Curtailment gain	72	–
Past service credit (one-off change to pensions payment)	38	–
	110	–
Amount (charged)/credited to net financing costs:		
Expected return on pension scheme assets	128	162
Interest cost	(143)	(146)
	(15)	16
Total credited in the consolidated income statement	89	6

Two operating exceptional gains were recognised in 2009 in relation to changes made to the ITV Pension Scheme: a curtailment gain of £72 million in relation to the cap on increase to pensionable salaries; and a past service credit of £38 million in relation to the one off change to pension payments. These are included within the figures above.

The amounts recognised through the consolidated statement of comprehensive income/(cost) are:

	2009 £m	2008 £m
Actuarial gains and (losses):		
Arising on scheme assets	48	(438)
Arising on scheme liabilities	(439)	314
	(391)	(124)

The cumulative amount of actuarial gains and losses recognised through the consolidated statement of comprehensive income since 1 January 2004 is an actuarial loss of £319 million (2008: £72 million gain).

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience adjustments on scheme assets	48	(438)	15	32	219
Experience adjustments on scheme liabilities	–	–	(18)	(12)	9

At 31 December 2009 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities.

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

	Market value 2009 £m	Market value 2008 £m
Market value of assets – equity-type assets	869	704
Market value of assets – bonds	1,263	1,330
Market value of assets – other	119	127
Total scheme assets	2,251	2,161

Exposure through the different asset classes is obtained through a combination of executing swaps and investing in physical assets. Some of these bond investments are issued by the UK Government. The risk of default on these is very small compared to the risk of default on corporate bond investments, although some risk may remain. The trustees also hold corporate bonds and other fixed interest securities. There is a more significant risk of default on these which is assessed by various rating agencies. In 2009 yields have reduced relative to gilts which is partly attributed to a decrease in default risk in respect of these bonds.

The trustees also have a substantial holding of equity-type investments (predominantly equities with some exposure to hedge funds and infrastructure). The investment return related to these is variable, and they are generally considered much “riskier” investments. It is generally accepted that the yield on equity investments will contain a premium (“the equity risk premium”) to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

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

The expected return for each asset class is weighted based on the target asset allocation for 2010 to develop the expected long-term rate of return on assets assumption for the portfolio.

The benchmark for 2010 is to hold broadly 47% equities and 53% bonds. The majority of the equities held by the scheme are in international blue chip entities. The aim is to hold a globally diversified portfolio of equities, with a target of broadly 22% of equities being held in UK and 78% of equities held overseas. Within the bond portfolio the aim is to hold 58% of the portfolio in government bonds (gilts) and 42% of the portfolio in corporate bonds and other fixed interest securities.

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

	Expected long-term rate of return 2010 % p.a.	Planned asset allocation 2010 % of assets	Expected long-term rate of return 2009 % p.a.	Planned asset allocation 2009 % of assets
Equity and Property	8.1	47	7.5	47
Bonds	4.0 – 5.0	53	3.6 – 6.3	53

The expected return on plan assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value.

The actual return on plan assets in the year ended 31 December 2009 was an increase of £176 million (2008: decrease of £276 million).

The principal assumptions used in the scheme valuations at the end of the reporting period were:

	2009	2008
Rate of general increase in salaries	4.40%	3.80%
Rate of pensionable salary increases	0.90%	3.80%
Rate of increase in pension payment (LPI 5% pension increases)	3.30%	2.70%
Rate of increase to deferred pensions	3.40%	2.80%
Discount rate for scheme liabilities	5.70%	6.30%
Inflation assumption	3.40%	2.80%

IAS 19 requires that the discount rate used be determined by reference to market yields at the reporting date on high quality fixed income investments. The currency and term of these should be consistent with the currency and estimated term of the post-employment obligations.

The discount rate has been based on the yield available on AA rated corporate bonds of a term similar to the liabilities.

The expected rate of inflation is an important building block for salary growth and pension increase assumptions. A rate of inflation is "implied" by the difference between the yields on fixed and index-linked Government bonds. However, differences in demand for these can distort this implied figure. The Bank of England target inflation rate has also been considered in setting this assumption.

The Group has used PA92 year of birth tables with medium cohort improvements, with a 1% per annum underpin and a one year age rating (i.e. tables are adjusted so that a member is assumed to be one year older than actual age). Using these tables the assumed life expectations on retirement are:

	2009	2009	2008	2008
Retiring today at age	60	65	60	65
Males	26.5	21.6	26.5	21.6
Females	29.8	24.8	29.8	24.8
Retiring in 20 years at age	60	65	60	65
Males	28.5	23.4	28.5	23.4
Females	31.9	26.7	31.9	26.7

The tables above reflect published mortality investigation data in conjunction with the results of investigations into the mortality experience of scheme members.

The sensitivities regarding the principal assumptions used to measure the scheme's liabilities are set out below. The illustrations consider the single change shown with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). The Group's liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value of certain scheme assets so there is no net effect on the Group's liability.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 7%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 7%
Life expectations	Increase by 1 year	Increase by 2%

7 Share-based compensation

	2009		2008	
	Number of options ('000)	Weighted average exercise price (pence)	Number of options ('000)	Weighted average exercise price (pence)
Outstanding at 1 January	116,454	71.88	131,803	79.46
Granted during the year – nil priced	26,821	–	20,929	–
Granted during the year – other	13,498	28.60	15,132	52.00
Forfeited during the year	(12,794)	39.23	(15,295)	52.99
Exercised during the year	(8,772)	–	(11,351)	6.63
Expired during the year	(33,218)	52.19	(24,764)	80.94
Outstanding at 31 December	101,989	63.94	116,454	71.88
Exercisable at 31 December	33,694	160.42	42,057	151.48

The average share price during 2009 was 38.37 pence (2008: 52.34 pence).

Range of exercise prices (pence)	2009			2008		
	Weighted average exercise price (pence)	Number of options ('000)	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)	Number of options ('000)	Weighted average remaining contractual life (years)
Nil	–	47,851	3.23	–	53,272	4.20
20.00–49.99	28.60	13,326	3.71	–	–	–
50.00–69.99	55.40	5,377	2.58	53.80	14,106	3.54
70.00–99.99	84.75	1,462	1.99	84.95	4,546	2.68
100.00–109.99	101.90	11,321	1.04	101.96	12,032	2.04
110.00–119.99	114.14	6,787	4.22	114.55	11,957	5.73
120.00–149.99	137.33	3,401	1.87	133.63	6,367	3.97
200.00–249.99	217.78	1,035	0.98	217.78	1,201	1.98
250.00–299.99	270.09	11,337	0.54	270.25	12,882	1.54
300.00–385.99	385.31	91	0.40	385.31	91	1.40

Share schemes

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

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

Assumptions relating to grants of share options during 2009 and 2008:

Scheme name	Date of grant	Share price at grant (pence)	Exercise price (pence)	Expected volatility %	Expected life (years)	Gross dividend yield %	Risk free rate %	Fair value (pence)
Save As You Earn								
ITV – three year	04-Apr-08	65.00	52.00	25.00%	3.25	2.84%	3.93%	17.00
ITV – five year	04-Apr-08	65.00	52.00	25.00%	5.25	2.84%	4.09%	19.00
ITV – three year	17-Jul-09	35.00	28.60	53.00%	3.25	–	2.40%	17.00
ITV – five year	17-Jul-09	35.00	28.60	43.00%	5.25	–	3.10%	18.00
Performance Share Plan								
ITV – three year	01-Jun-09	40.00	–	53.00%	3.00	–	2.10%	30.20
Turnaround Plan								
ITV – three year	12-Sep-08	49.90	–	25.00%	2.25	2.96%	5.04%	14.00
ITV – five year	12-Sep-08	49.90	–	25.00%	4.25	2.96%	4.98%	18.00
ITV – three year	02-Oct-08	42.30	–	25.00%	2.25	2.96%	5.04%	12.00
ITV – five year	02-Oct-08	42.30	–	25.00%	4.25	2.96%	4.98%	16.00

The expected volatility has been revised upwards for awards made in 2009, reflecting historic volatility of ITV plc's share price and equity markets as a whole over the preceding three or five years, dependent on the expected life of the award, prior to the grant date of the share options awarded. The expected volatility of the 2008 awards was based on the historic volatility of ITV plc, which was formed on the merger of Granada plc and Carlton Communications Plc on 2 February 2004.

The awards made under the Commitment Scheme, Performance Share Plan and Turnaround Plan all have market based performance conditions which are taken into account in the fair value calculation using a Monte Carlo pricing model. The Black-Scholes model is used to value the Save As You Earn Schemes as these do not have any market performance conditions.

Share-based compensation charges totalled £11 million in 2009 (2008: £10 million).

8 Net financing costs

	2009 £m	2008 £m
Financing income:		
Interest income	23	31
Expected return on defined benefit pension scheme assets	128	162
Gain on bond exchange	14	–
Change in fair value of instruments classified at fair value through profit or loss	–	123
Foreign exchange gain	36	–
	201	316
Financing costs:		
Interest expense on financial liabilities measured at amortised cost	(93)	(110)
Interest on defined benefit pension plan obligations	(143)	(146)
Losses on early settlement	(8)	–
Change in fair value of instruments classified at fair value through profit or loss	(37)	–
Foreign exchange loss	–	(116)
Other interest expense	(11)	(4)
	(292)	(376)
Net financing costs	(91)	(60)

The foreign exchange gain/loss is economically hedged by cross currency interest rate swaps. See note 25 for further details.

9 Taxation

	2009 £m	2008 £m
Current tax		
Current tax charge before exceptional items	(13)	(28)
Current tax credit on exceptional items	10	23
	(3)	(5)
Adjustment for prior periods	68	198
	65	193
Deferred tax:		
Origination and reversal of temporary differences	21	(3)
Deferred tax on exceptional items	(31)	–
Adjustment for prior periods	14	(12)
	4	(15)
Total taxation credit in the income statement	69	178

Reconciliation of taxation credit:

	2009 £m	2008 £m
Profit/(loss) before tax	25	(2,732)
Taxation (charge)/credit at UK corporation tax rate of 28% (2008: 28.5%)	(7)	779
Non-taxable/non-deductible exceptional items	(21)	(8)
Non-taxable income/non-deductible expenses	(8)	(6)
Tax losses	26	–
Over provision in prior periods	82	186
Impact of tax rate change	–	1
Impact of goodwill impairment	–	(768)
Other	(3)	(6)
	69	178

In the year ended 31 December 2009 the effective tax rate is lower (2008: lower) than the standard rate of UK corporation tax primarily as a result of adjustments in respect of prior periods due to progress in the agreement with revenue authorities of prior periods' tax liabilities. In addition, a tax credit totalling £101 million (2008: credit of £35 million) has been recognised directly in equity representing current tax of £nil (2008: credit of £nil) and a deferred tax credit of £101 million (2008: credit of £35 million).

Tax losses of £26 million (2008: £nil) relate to a credit for utilisation of loan relationship deficits of £23 million (2008: £nil), offset by a charge for unrecognised deferred tax on tax losses arising in the year of £9 million (2008: £nil) and a credit for other tax losses arising in the year of £12 million (2008: £nil).

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

	At 1 January 2009 £m	Recognised in the income statement £m	Recognised in equity £m	At 31 December 2009 £m
Property, plant and equipment	(15)	16	–	1
Intangible assets	(95)	13	–	(82)
Programme rights	4	(2)	–	2
Pension scheme deficits	49	(25)	98	122
Interest-bearing loans and borrowings, and derivatives	(1)	–	–	(1)
Share-based compensation	4	–	3	7
Unremitted earnings of subsidiaries, associates and joint ventures	(3)	–	–	(3)
Other	2	2	–	4
	(55)	4	101	50

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

At 31 December 2009 total deferred tax assets are £136 million (2008: £59 million) and total deferred tax liabilities are £86 million (2008: £114 million).

Deferred tax assets of £625 million and £60 million (2008: £625 million and £83 million) in respect of capital losses of £2,230 million (2008: £2,233 million) and loan relationship deficits of £214 million (2008: £296 million) respectively, have not been recognised due to uncertainties as to their amount and whether gain or income will arise in the appropriate form and relevant territory against which such losses could be utilised. For the same reasons, deferred tax assets in respect of overseas losses of £10 million (2008: £10 million) which time expire between 2017 and 2026 have not been recognised.

10 Dividends

Dividends declared and recognised through equity in the year were:

	2009 £m	2008 £m
Equity shares:		
Final 2007 dividend of 1.8 pence per share	–	70
Interim 2008 dividend of 0.675 pence per share	–	26
	–	96

No 2009 interim dividend was declared. No final dividend will be declared for 2009 (2008 £nil).

11 Earnings per share

	2009		2008 (restated)	
	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit/(loss) for the year attributable to equity shareholders of the parent company	91	92	(2,556)	(2,556)
Exceptional items (including related tax effect of a debit of £21 million, 2008: credit of £23 million)	41	41	85	85
Profit/(loss) for the year before exceptional items	132	133	(2,471)	(2,471)
Amortisation and impairment of acquired intangible assets (including related tax credit of £14 million, 2008: £14 million)	37	37	2,739	2,739
Adjustments to net financing costs (including related tax effect of a credit £3 million, 2008: debit of £6 million)	9	9	(11)	(11)
Prior period tax adjustments	(82)	(82)	(186)	(186)
Other tax adjustments	(26)	(26)	–	–
Profit for the year before exceptional items, amortisation and impairment of acquired intangible assets, net financing cost adjustments and prior period and other tax adjustments	70	71	71	71
Weighted average number of ordinary shares in issue – million	3,882	3,882	3,877	3,877
Dilution impact of share options – million	–	13	–	9
Dilution impact of convertible bond – million	–	192	–	–
	3,882	4,087	3,877	3,886
Earnings/(loss) per ordinary share	2.3p	2.3p	(65.9)p	(65.9)p
Adjusted earnings per ordinary share				
Basic earnings/(loss) per ordinary share	2.3p	2.3p	(65.9)p	(65.9)p
Add: Loss per ordinary share on exceptional items	1.1p	1.0p	2.2p	2.2p
Earnings/(loss) per ordinary share before exceptional items	3.4p	3.3p	(63.7)p	(63.7)p
Add: Loss per ordinary share on amortisation and impairment of acquired intangible assets	1.0p	0.9p	70.6p	70.6p
Add: Gain/(loss) per ordinary share on adjustments to net financing costs	0.2p	0.2p	(0.3)p	(0.3)p
Subtract: Profit per ordinary share on prior period tax adjustments	(2.1)p	(2.1)p	(4.7)p	(4.7)p
Subtract: Profit per ordinary share on other tax adjustments	(0.7)p	(0.6)p	(0.1)p	(0.1)p
Adjusted earnings per ordinary share for the year	1.8p	1.7p	1.8p	1.8p

An adjusted earnings per share figure has been disclosed because in the view of the directors this gives a fairer reflection of core business performance. The basis for adjusted earnings per share has been changed in the year to more accurately reflect this and the 2008 comparison has been restated accordingly. Net financing costs are now adjusted for the non-cash imputed pension interest charge, mark-to-market movements on swaps and foreign exchange movements on bonds, the impact of amortised cost adjustments from coupon step-ups, one off gains and losses on exchanges and buybacks of bonds and the effective interest on the onerous contract provision. Internally generated intangible asset amortisation is now also included within adjusted earnings.

Diluted earnings per share have been impacted in 2009 by the issue of the £135 million Convertible Eurobond 2016 in November 2009. The conversion of share options in 2008 is anti-dilutive, so the diluted loss per share in 2008 has been shown as the same as basic loss per share in accordance with IAS 33 "Earnings per Share".

12 Property, plant and equipment

	Freehold land and buildings	Improvements to leasehold land and buildings		Vehicles, equipment and fittings		Total £m
	£m	Long £m	Short £m	Owned £m	Finance Leases £m	
Cost						
At 1 January 2008	23	66	21	251	16	377
Additions	–	–	–	21	–	21
Reclassification from assets held for sale	27	3	–	–	–	30
Disposals and retirements	(1)	–	(1)	(31)	(1)	(34)
At 31 December 2008	49	69	20	241	15	394
Additions	–	–	–	14	–	14
Reclassification	5	(1)	–	(4)	–	–
Reclassification to assets held for sale	–	(14)	–	–	–	(14)
Disposals and retirements	–	(4)	–	(40)	–	(44)
At 31 December 2009	54	50	20	211	15	350
Depreciation						
At 1 January 2008	–	12	8	144	2	166
Charge for the year	1	1	1	30	3	36
Disposals and retirements	(1)	–	(1)	(25)	(1)	(28)
At 31 December 2008	–	13	8	149	4	174
Charge for the year	3	3	2	27	3	38
Impairment charge for the year (see note 5)	6	2	4	2	–	14
Reclassification	3	–	–	(3)	–	–
Reclassification to assets held for sale	–	(5)	–	–	–	(5)
Disposals and retirements	–	(1)	–	(31)	–	(32)
At 31 December 2009	12	12	14	144	7	189
Net book value						
At 31 December 2009	42	38	6	67	8	161
At 31 December 2008	49	56	12	92	11	220

Included within the book values above is expenditure of £3 million (2008: £10 million) on property, plant and equipment that is in the course of construction. The amount of contractual commitments for the acquisition of property, plant and equipment is disclosed in note 33.

13 Intangible assets

	Goodwill £m	Brands £m	Customer contracts and relationships £m	Licences £m	Software development £m	Film libraries and other £m	Total £m
	Cost						
At 1 January 2008	3,478	199	338	121	26	83	4,245
Acquisition of subsidiaries	6	–	–	–	–	1	7
Purchase of brands and software development	–	1	–	–	20	–	21
At 31 December 2008	3,484	200	338	121	46	84	4,273
Purchase of software development	–	–	–	–	13	–	13
Reclassification to assets held for sale	(115)	(26)	(8)	–	–	(3)	(152)
Disposals	(4)	(1)	(2)	–	(7)	(2)	(16)
At 31 December 2009	3,365	173	328	121	52	79	4,118
Amortisation and impairment							
At 1 January 2008	40	68	212	29	1	22	372
Charge for the year	–	18	22	9	8	9	66
Impairment charge	2,695	–	–	–	–	–	2,695
At 31 December 2008	2,735	86	234	38	9	31	3,133
Charge for the year	–	17	21	9	8	4	59
Reclassification to assets held for sale	(81)	(9)	(5)	–	–	(2)	(97)
Disposals	–	–	(1)	–	(5)	(1)	(7)
At 31 December 2009	2,654	94	249	47	12	32	3,088
Net book value							
At 31 December 2009	711	79	79	74	40	47	1,030
At 31 December 2008	749	114	104	83	37	53	1,140

Included within the book values above is expenditure of £6 million (2008: £nil) on software development that is in the course of development.

Amortisation of intangible assets is shown within operating costs in the income statement.

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	2009 £m	2008 £m
Broadcasting	265	265
Online	30	68
GMTV	33	33
SDN	76	76
ITV Studios	307	307
	711	749

The recoverable amount of each CGU is based on value in use calculations. These calculations require the use of estimates and use pre-tax cash flow projections based on the Group's current five-year plan. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 1%–2.5% depending on the CGU and are appropriate because these are long-term businesses. The growth rates used are consistent with the long-term average growth rates for the industry.

Impairment tests are carried out annually, or when indicators show that assets may be impaired. The impairment tests carried out as a consequence have resulted in no impairment charge for the year (2008: £2,695 million) being applied against the goodwill in these CGUs.

A pre-tax market discount rate of 12.9% has been used in discounting the projected cash flows for each CGU. The pre-tax market discount rate used in the previous year on the same basis was 11.9%. The discount rate has been revised to reflect the latest market assumptions for the Risk Free-rate and Equity Risk Premium and also to take into account the net cost of debt. Management believe that a consistent discount rate can be applied to all CGUs due to similarity of the risk factors affecting them and their geographical spread. Management believe that there is currently no reasonably possible change in discount rate that would reduce the headroom in any CGU to zero.

Broadcasting

The goodwill in this CGU arose as a result of the acquisition of broadcasting businesses since 1999, the largest of which were the acquisition by Granada of United News and Media's broadcast businesses in 2000 and the merger of Carlton and Granada in 2004 to form ITV plc. In 2007, as a result of the early adoption of IFRS 8 Operating Segments, this goodwill was apportioned between the Broadcasting and Online CGUs based on the relative Net Present Value of the cash flows of the two segments.

No impairment charge arose in the Broadcasting CGU during the course of 2009 (2008: £2,309 million), due to the anticipated stabilisation in the advertising market in 2010 and the cost savings achieved in 2009. Management believe that currently no reasonably possible change in the advertising market would reduce the headroom in this CGU to zero. Broadcasting goodwill was reduced in the year by £nil (2008: £57 million) as required by IAS 12, following the recognition of deferred tax assets not recognised at the time of the Carlton/Granada merger.

The main assumptions on which the forecast cash flows were based include the television share of advertising market, share of commercial impacts, programme and other costs. The key assumption in assessing the recoverable amount of Broadcasting goodwill is the size of the TV advertising market. In forming its assumptions about the TV advertising market, the Group has used a combination of long-term trends, industry forecasts and in-house estimates which place greater emphasis on recent experience. These are broadly in the range of -3% to +3% for 2010 and +2% to +5% for 2011, with our assumptions at the cautious end of these ranges. It is also assumed that ITV elects to renew its broadcasting licences in 2014.

The impairment charge in 2008 arose as a result of the downturn in the short-term outlook for the advertising market. The outlook for advertising, including Online, improved in particular towards the end of 2009 and video on demand continued to grow.

Online

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

No impairment charge arose in the Online CGU during the course of 2009 (2008: £308 million). However, a net £34 million (2008: £nil) of goodwill associated with the disposal groups has been transferred from intangible assets to assets held for sale and a net £4 million was disposed of on the sale of the Enable Media business.

The key assumption on which the cash flows were based is the Group's online advertising revenue growth. Online advertising is dependent on a number of factors including Online's share of the total advertising market, as well as page impressions, unique users, average dwell times, video views and advertising rates (CPT) generated by the Group's online sites. However, no one factor is key in determining the Group's online advertising revenue. The Group's online revenue growth assumptions have been determined by using a combination of industry forecasts and in-house estimates of growth rates which are based on recent experience. Industry estimates of growth in the online advertising market range from 4% to 17% in 2010 and 9% to 20% in 2011.

Management believe that currently no reasonably possible change in the revenue assumptions would reduce the headroom in this CGU to zero. The impairment charge in 2008 arose as a result of the downturn in the short-term outlook for the advertising market which is an area highly exposed to the general downturn in the economy and the over-supply of white-space advertising on online sites, leading to a significant fall in rates. The outlook for advertising, including Online, improved in particular towards the end of 2009 and video on demand continued to grow.

GMTV

The goodwill in this CGU arose initially on the acquisition of a 75% shareholding in GMTV Limited in 2004. The remaining 25% interest in this subsidiary was purchased in November 2009 and did not give rise to an adjustment to goodwill in accordance with IAS27.

No impairment charge arose in the GMTV CGU during the course of 2009 (2008: £21 million). The main assumptions on which the forecast cash flows are based are as described under the Broadcasting CGU above. Management believe that currently no reasonably possible change in the advertising market would reduce the headroom in this CGU to zero.

The impairment charge in 2008 arose as a result of the downturn in the short-term outlook for the advertising market, which has since recovered in 2009.

SDN

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

The main assumptions on which the forecast cash flows were based are income to be earned from medium-term contracts and the market price of available multiplex video streams in the period up to and beyond digital switch over. These assumptions have been determined by using a combination of current contract terms, recent market transactions and in-house estimates of video stream availability and pricing. It is also assumed that the Multiplex A licence is renewed to 2022. Management believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

ITV Studios

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

The key assumptions on which the forecast cash flows were based include revenue (including the share of total network programme budget obtained) and margin growth. These assumptions have been determined by using a combination of extrapolation of historical trends within the business, industry estimates and in-house estimates of growth rates in all markets. Management believe that currently no reasonably possible change in the revenue and margin assumptions would reduce the headroom in this CGU to zero.

14 Investments in joint ventures and associated undertakings

	Joint ventures £m	Associated undertakings £m	Total £m
At 1 January 2008	63	16	79
Additions	17	10	27
Share of attributable losses	(18)	–	(18)
Repayment of loans	(7)	(10)	(17)
Impairment	(7)	–	(7)
Exchange movement and other	2	–	2
At 31 December 2008	50	16	66
Additions	3	3	6
Share of attributable losses	(5)	(2)	(7)
Repayment of loans	–	(4)	(4)
Transfer to assets held for sale	(47)	–	(47)
Impairment	(1)	(8)	(9)
At 31 December 2009	–	5	5

The £3 million of additions to joint ventures during the year relate to further loans granted of £3 million to Freesat.

The £5 million share of losses of joint ventures includes £3 million from Screenvision US and £2 million from Freesat. Of the share of attributable losses of joint ventures, £3 million was allocated to assets held for sale in line with their statement of financial position classification.

The £47 million transfer to assets held for sale relates to the carrying value of the joint venture investment in Screenvision US, now held for sale (see note 27). As an asset held for sale equity accounting ceases at the date of classification. This has resulted in unrecognised profits of £5 million. The joint venture investment in Freesat has also been impaired by £1 million during the year. The investment is now carried at its estimated value in use of £nil. Any unrecognised losses following its impairment to £nil, when equity accounting ceases, are immaterial.

The £3 million of additions in associated undertakings include loans granted of £2 million to ITN and £1 million to Carbon Media Limited, a new associated undertaking in the year. The £2 million share of attributable losses in associated undertakings include £2 million from ITN. ITN made £4 million of loan repayments during the year. The £8 million impairment of associated undertaking investments includes £7 million for ITN and £1 million for Crackit Productions Limited. Both are carried at their estimated value in use amount.

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

	2009 £m	2008 £m
Assets	52	66
Liabilities	(70)	(63)
Revenue	106	122
(Loss)/profit	(5)	–

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

	2009 £m	2008 £m
Non-current assets	31	37
Current assets	46	75
Current liabilities	(24)	(37)
Non-current liabilities	(43)	(33)
Revenue	71	84
Expense	(73)	(102)

The Group's interests in significant joint ventures and associated undertakings are listed in note ix in the ITV plc company financial statements section of this report.

15 Available for sale financial assets

	2009 £m	2008 £m
At 1 January	5	10
Additions	–	2
Impairment	(2)	(7)
Disposals	(2)	–
At 31 December	1	5

The Group's interests in available for sale financial assets are listed in note ix in the ITV plc Company financial statements section of this report. The Group's investment in STV Group plc is marked to market. However, following a significant and sustained decline in its share price an impairment of £1 million has been taken against this investment in the year. A further impairment of £1 million relates to the impairment of the Group's 10% investment in Electric Farm Entertainment LLC to £nil. The £2 million disposal relates to the sale of the Group's interests in Ambassador Theatre Group Limited to a consortium including Exponent Private Equity LLP for a £3 million cash consideration resulting in a £1 million gain on sale (see note 5).

16 Distribution rights

	2009 £m	2008 £m
Cost		
At 1 January	82	68
Additions	17	14
At 31 December	99	82
Charged to income statement		
At 1 January	69	61
Expense for the year	14	8
At 31 December	83	69
Net book value	16	13

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

17 Programme rights and other inventory

	2009 £m	2008 £m
Commissions	73	125
Sports rights	23	57
Acquired films	207	237
Production	48	62
Prepayments	36	29
Other	1	6
	388	516

Net programme rights and other inventory written off in the year was £11 million (2008: £29 million), including £nil (2008: £2 million) for reversals relating to inventory previously written down to net realisable value. In addition to these amounts, there are exceptional costs for onerous contract provisions in respect of sports rights of £1 million (2008: £50 million), as disclosed in note 5. Of the total provision £4 million (2008: £5 million) has been written off against sports rights and £nil (2008: £1 million) has been written off against prepayments above. £35 million (2008: £44 million) remains in provisions, see note 26.

18 Trade and other receivables

	2009 £m	2008 £m
Due within one year:		
Trade receivables	353	336
Other receivables	22	24
Prepayments and accrued income	57	84
	432	444
Due after more than one year:		
Trade receivables	7	9
Prepayments and accrued income	–	1
	7	10
Total trade and other receivables	439	454

As at 31 December 2009, trade receivables of £8 million (2008: £14 million) were impaired and provided for. The individually impaired receivables relate mainly to the Broadcasting & Online and ITV Studios segments due to concerns over their recoverability. Movements in the Group provision for impairment of trade receivables are as follows:

	2009 £m	2008 £m
At 1 January	14	9
Charged during the year	4	9
Receivables written off during the year as uncollectible	(6)	(1)
Unused amounts reversed	(4)	(3)
At 31 December	8	14

Trade receivables that are less than three months past due are not usually considered impaired. As at 31 December 2009, trade receivables of £130 million (2008: £134 million) were past due but not impaired. Of this, £88 million (2008: £52 million) relates to non-consolidated licensee customers in the Broadcasting & Online segment where the Group has supplier and customer relationships. Further amounts relating to these same customers of £1 million (2008: £4 million) and £7 million (2008: £14 million) are included in current trade receivables and other receivables respectively. There is also a credit of £61 million (2008: credit of £42 million) included in trade and other payables relating to these customers.

The net balance due from non-consolidated licensees is £36 million, the majority of which relates to STV Group plc.

	2009 £m	2008 £m
Current	230	211
Up to 30 days overdue	43	48
Between 30 and 90 days overdue	8	21
Over 90 days overdue	79	65
	360	345

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

	2009 £m	2008 £m (restated)
Trade payables	83	93
Social security	13	13
Other payables	162	223
Accruals and deferred income	388	394
Dividends	–	25
	646	748

The 2008 comparatives for current liabilities have been restated to reflect the current year classification. This is to show a better reflection of the nature of the Group's liabilities. The Group's VAT creditor has been reclassified from trade payables to other payables and film creditors have been reclassified from trade payables to accruals where, at the reporting date, the programme is in rights but no invoice has been received.

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

	2009 £m	2008 £m
Other payables	31	26

21 Non-current liabilities – other payables

	2009 £m	2008 £m
Other payables	12	15

22 Analysis of net debt

	1 January 2009 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	31 December 2009 £m
Cash	503	(20)	(4)	479
Cash equivalents	113	(11)	1	103
Cash and cash equivalents	616	(31)	(3)	582
Cash held within the Disposal Group	–	–	4	4
Held to maturity investments	–	150	(1)	149
Loans and loan notes due within one year	(252)	249	2	(1)
Finance leases due within one year	(7)	7	(8)	(8)
Loans and loan notes due after one year	(1,192)	(221)	47	(1,366)
Finance leases due after one year	(72)	–	7	(65)
	(1,523)	35	48	(1,440)
Currency component of swaps held against Euro denominated bonds	147	–	(39)	108
Convertible Bond Equity Component	–	(36)	1	(35)
Amortised cost adjustment	30	–	(10)	20
Net debt	(730)	118	–	(612)

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

Included within cash equivalents is £62 million (2008: £67 million), the use of which is restricted to meeting finance lease commitments under programme sale and leaseback commitments and gilts of £34 million (2008: £33 million) over which the unfunded pension promises have a charge.

The purpose of the amortised cost adjustment is to exclude the impact of the coupon step-up on total net debt. ITV's Standard & Poor's credit rating was lowered to BB+ in August 2008, resulting in a coupon step-up in the 2011 and 2017 bonds. The recalculation of the amortised cost carrying values as required by IAS 39 resulted in an increase in net debt of £30 million as at 31 December 2008. This increase will be unwound in future years as a reduction in interest expense.

In February 2009 ITV raised a net £50 million through a £200 million covenant free loan with a maturity of March 2019, secured against the purchase of 4.5% March 2019 gilts with a nominal value of £138 million (for a cost of £150 million). The cash receipt relating to the £200 million loan and the cash payment relating to the £150 million gilts are both presented within cash flows from financing activities in the consolidated statement of cash flows, as the gilts are held as security for the £200 million loan and thus form an integral part of the financing transaction. The cost of the £200 million loan is fixed at 8.85% for the first three years and a variable rate thereafter, depending in part on the performance of an interest rate algorithm. The total return on the gilts receivable by ITV is 11% of the nominal value. The gilts are accounted for as a held to maturity investment.

In March 2009 ITV repaid its £250 million Eurobond and drew down a £125 million covenant free loan with a maturity of May 2013 at a variable rate of 12-month sterling LIBOR plus 6.814%. In May 2009 ITV completed a £100 million tap of the existing £325 million October 2015 Eurobond raising net proceeds of £58 million with an effective interest rate of 15.6%.

In June 2009, under the terms of an exchange offer, ITV repaid €81 million (£69 million) of the €500 million October 2011 bond and exchanged at par €188 million of the 2011 bonds for the issuance at par of new bonds with a maturity of June 2014 and carrying a coupon of 10%; this resulted in an accounting gain of £14 million. A pro rata proportion of the cross-currency interest rate swaps entered into at the time of issue of the 2011 bond were restructured and extended to match the terms of the new 2014 bonds. Under the terms of the swaps ITV receives 10% on a notional amount of €188 million and pays 12.9% on a notional amount of £63 million and three-month sterling LIBOR plus 7.9% on a notional amount of £63 million. At maturity of the swaps ITV receives €188 million to match its principal repayment to bondholders and pays £126 million.

In October 2009 ITV repurchased £75 million of the £125 million May 2013 loan at a loss of £6 million.

In November 2009 ITV issued a £135 million convertible Eurobond with a maturity date of November 2016. The coupon on the bond is 4.0% and the initial conversion price is 70.44 pence, a premium on issue of 40%. The bonds are accounted for partly as debt and partly as equity, net of issue costs. The debt and equity components are accreted to par over the life of the bond; the accretion of the equity component is accounted for as a transfer from other reserves to retained losses. The effective interest rate on the carrying value of the debt component is 9.3%.

In November and December 2009 ITV repurchased €114 million nominal value of the remaining October 2011 bonds, resulting in an accounting loss of £2 million. As at 31 December, 2009 €118 million of these bonds remained outstanding. Subsequent to the repurchase, ITV entered into new cross currency interest rate swaps to offset existing swaps. Under the terms of the cross currency interest rate swaps matching the €118 million 2011 bonds, ITV receives 4.75% on a notional amount of €118 million and pays 26.7% on a notional amount of £5 million and three-month LIBOR minus 4.1% on a notional amount of £33 million. The net interest rate payable by ITV reflects the impact of exchange and interest rate differences between the original swaps and the new swaps. At maturity of the swaps ITV receives €118 million to match its principal repayment to bondholders and pays £38 million.

As at 31 December 2009 the currency element of the cross currency interest rate swaps is a £108 million asset (2008: £147 million asset) and this offsets the exchange rate movement of the 2011 and 2014 bonds. The interest element of the swap is a £12 million asset (2008: £5 million asset) resulting in an overall net asset total at 31 December 2009 of £120 million (2008: £152 million net asset total).

2008

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

In November 2008 ITV redeemed for cash a £100 million senior note issued by UBS AG ("UBS") under UBS's Euro Note Programme.

Ageing of borrowings

	2009			2008		
	Loans and loan notes £m	Finance leases £m	Total £m	Loans and loan notes £m	Finance leases £m	Total £m
Current						
In one year or less, or on demand	1	8	9	252	7	259
Non-current						
In more than one year but not more than two years	106	9	115	–	8	8
In more than two years but not more than five years	316	39	355	603	26	629
In more than five years	944	17	961	589	38	627
	1,366	65	1,431	1,192	72	1,264
Total	1,367	73	1,440	1,444	79	1,523

Loans repayable between one and two years

Loans repayable between one and two years as at 31 December 2009 comprise an unsecured €118 million Eurobond which has a coupon of 6.0% and matures in October 2011. After cross currency swaps the net amount repayable in October 2011 is £38 million.

Loans repayable between two and five years

Loans repayable between two and five years as at 31 December 2009 includes an unsecured £50 million bank loan which has a coupon of 12-month sterling LIBOR plus 6.814% and matures in May 2013, an unsecured £110 million Eurobond which has a coupon of three-months sterling LIBOR plus 2.7% and matures in March 2013 and an unsecured €188 million Eurobond (£126 million net of cross currency swaps) which has a coupon of 10.0% and matures in June 2014.

Loans repayable after five years

Loans repayable after five years includes an unsecured £425 million Eurobond which has a coupon of 5.375% and matures in October 2015, an unsecured £135 million convertible Eurobond which has a coupon of 4.0% and matures in November 2016, an unsecured £250 million Eurobond which has a coupon of 7.375% and matures in January 2017 and an unsecured bank loan for £200 million which has a coupon of 8.85% for its first three years and a variable rate thereafter which matures in March 2019.

Finance leases

Finance lease liabilities are payable as follows:

	2009			2008		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
In one year or less	12	4	8	11	4	7
In more than one year but not more than five years	58	10	48	45	11	34
In more than five years	18	1	17	40	2	38
	88	15	73	96	17	79

Finance leases principally comprise the lease of programme titles under sale and leaseback arrangements and an embedded lease relating to the provision of news.

The net book value of assets held under finance leases at 31 December 2009 was £9 million (2008: £11 million).

23 Financial risk factors

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

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments. Transactions are only undertaken if they relate to underlying exposures. The treasury department reports regularly to the Audit Committee and treasury operations are subject to periodic reviews.

Market risk

a) Currency risk

The Group operates internationally and is therefore exposed to currency risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's foreign exchange policy is to hedge material foreign currency denominated costs at the time of commitment and to hedge a proportion of foreign currency denominated revenues on a rolling 12-month basis unless a natural hedge exists.

The Group ensures that its net exposure to foreign denominated cash balances is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Euro denominated interest and principal payments under the €118 million and €188 million bonds have been fully hedged by cross-currency interest rate swaps.

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long term in nature.

At 31 December 2009, if sterling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been £2 million (2008: £2 million) higher/lower. Equity would have been £13 million (2008: £9 million) higher/lower.

At 31 December 2009, if sterling had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been £3 million (2008: £2 million) higher/lower. Equity would have been £2 million (2008: £5 million) higher/lower.

b) Price risk

The Group is not exposed to any material price risk.

c) Interest rate risk

The Group's principal interest rate risk arises from long-term borrowings and associated interest rate swaps. Borrowings issued at or swapped to floating rates expose the Group to interest rate risk.

The Group's interest rate policy is to have between 50% and 70% of its total indebtedness held at fixed rates over the medium term in order to provide a balance between certainty of cost and benefit from lower floating rates. The Group uses interest rate swaps and options in order to achieve the desired mix between fixed and floating rates.

All of the Group's interest rate swaps are classified as fair value through profit or loss so any movement in the fair value goes through the income statement rather than equity.

At 31 December 2009, if interest rates had increased/decreased by 0.1%, post-tax profit for the year would have been £1 million (2008: £1 million) lower/higher.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers, cash and held to maturity investments. There is also credit risk relating to the Group's own credit rating as this impacts the availability and cost of future finance.

a) Trade and other receivables (see note 18)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The majority of trade receivables relate to airtime sales contracts with advertising agencies and advertisers. Credit insurance has been taken out against these companies to minimise the impact on the Group in the event of a possible default.

b) Cash and held to maturity investments

The Group operates strict investment guidelines with respect to surplus cash and the emphasis is on preservation of capital. Counterparty limits for cash deposits are largely based upon long-term ratings published by the major credit rating agencies and perceived state support. Deposits longer than six months require the approval of the General Purpose Committee.

c) Borrowings

ITV's credit ratings with Standard & Poors and Moody's Investor Service are B+/B1 respectively and are "sub-investment grade" with both agencies. The combination of ITV's lower credit rating and the deterioration in credit conditions adversely impacts the availability and costs of future finance.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's financing policy is to fund itself for the long term by using debt instruments with a range of maturities. It is substantially funded from the UK and European capital markets and it has a bilateral bank facility.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn bank facilities and cash and cash equivalents) on the basis of expected cash flows. This monitoring includes financial ratios to assess possible future credit ratings and headroom and takes into account the accessibility of cash and cash equivalents.

At 31 December 2009 the Group has available £75 million (2008: £650 million) of undrawn committed facilities. The £75 million facility is provided by one bank and is secured on advertising receivables. The facility has no financial covenants and matures in May 2013. The reduction from 2008 reflects the cancellation of the £450 million syndicated facility and the drawing down of a £125 million loan.

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows so will not always reconcile with the amounts disclosed on the statement of financial position.

At 31 December 2009	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Borrowings	(2,167)	(108)	(215)	(639)	(1,205)
Held to maturity investments	288	15	15	45	213
Trade and other payables	(677)	(646)	(23)	(8)	–
Other non-current payables	(12)	–	(10)	(2)	–
Derivative financial instruments					
Interest rate swaps	165	13	79	64	9
Forward foreign exchange contracts – cash flow hedges					
Outflows	–	–	–	–	–
Inflows	–	–	–	–	–
Forward foreign exchange contracts – fair value through profit or loss					
Outflows	(77)	(61)	(16)	–	–
Inflows	77	61	16	–	–
	(2,403)	(726)	(154)	(540)	(983)

At 31 December 2008 (restated)	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Borrowings	(1,933)	(347)	(82)	(780)	(724)
Trade and other payables	(774)	(748)	(18)	(7)	(1)
Other non-current payables	(15)	–	(1)	(14)	–
Derivative financial instruments					
Interest rate swaps	187	9	8	155	15
Forward foreign exchange contracts – cash flow hedges					
Outflows	(31)	(31)	–	–	–
Inflows	40	40	–	–	–
Forward foreign exchange contracts – fair value through profit or loss					
Outflows	(80)	(57)	(17)	(6)	–
Inflows	87	60	20	7	–
	(2,519)	(1,074)	(90)	(645)	(710)

2008 is restated as clarified by the amendment to IFRS 7 and now includes contractual interest. Borrowings are now shown gross rather than net of cross currency swaps relating to the 2011 €118 million and 2014 €188 million Eurobonds, which are now shown separately within derivative financial instruments.

Held to maturity investments are included within the table above because the £138 million March 2019 gilts are used as security against the £200 million 2019 loan, and the net repayment in 2019 is £62 million.

Capital management

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent company ("equity"). Equity comprises issued capital, reserves and retained earnings disclosed in the consolidated statement of changes in equity. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements.

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

24 Financial instruments

a) Fair values versus carrying amounts

The tables below provide fair value information for all financial instruments listed in note 24 (c), other than those where the carrying value is a reasonable approximation of fair value.

Assets	Maturity	Book value		Fair value	
		2009 £m	2008 £m	2009 £m	2008 £m
Held to maturity investments	Mar 19	149	–	143	–

The fair value of held to maturity investments is based on quoted market bid prices at the reporting date.

Liabilities	Maturity	Book value		Fair value	
		2009 £m	2008 £m	2009 £m	2008 £m
€118 million Eurobond (previously €500 million Eurobond)	Oct 11	106	493	109	391
£110 million Eurobond	Mar 13	110	110	105	110
£50 million loan	May 13	50	–	58	–
€188 million Eurobond	Jun 14	156	–	187	–
£425 million Eurobond (previously £325 million Eurobond)	Oct 15	384	323	387	211
£135 million Convertible bond	Nov 16	96	–	147	–
£250 million Eurobond	Jan 17	264	266	240	163
£200 million loan	Mar 19	200	–	244	–
Other loans		1	2	1	2
		1,367	1,194	1,478	877

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The book value of the 2011 Eurobond decreased in the year principally as a result of an exchange offer and repurchases of the 2011 bonds in November and December 2009 (see note 22). After taking account of cross currency interest rate swaps, ITV's net principal repayment on the 2011 Eurobond will be £38 million in 2011.

The book value of the 2015 £425 million Eurobond increased due to the £100 million tap of the existing £325 million Eurobond on the same terms, raising net proceeds of £58 million.

The fair value of the £135 million Convertible bond is based upon the par value, whereas the bonds are accounted for partly as debt and partly as equity, net of issue costs, as described in note 22.

b) Fair value hierarchy for instruments measured at fair value

Assets measured at fair value	Fair value 31 December 2009 £m	Level 1 31 December 2009 £m	Level 2 31 December 2009 £m	Level 3 31 December 2009 £m
Available for sale financial instruments				
STV shares	1	1	–	–
Available for sale gilts	34	34	–	–
Financial assets at fair value through profit or loss				
Interest rate swaps	154	–	154	–
Forward foreign exchange contracts	2	–	2	–
Total	191	35	156	–

Liabilities measured at fair value	Fair value 31 December 2009 £m	Level 1 31 December 2009 £m	Level 2 31 December 2009 £m	Level 3 31 December 2009 £m
Financial liabilities at fair value through profit or loss				
Interest rate swaps	33	–	33	–
Forward foreign exchange contracts	1	–	1	–
Total	34	–	34	–

Level 1

Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.

Interest rate swaps and options are accounted for at their fair value based upon termination prices. Forward foreign exchange contracts are accounted for at the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date.

Level 3

Fair values measured using inputs for the asset or liability that are not based on observable market data.

c) Financial instruments application

The accounting policies for financial instruments have been applied to each financial position caption as follows:

At 31 December 2009	Held to maturity investments £m	Loan and receivables £m	At fair value through profit or loss £m	Derivatives used for hedging £m	Available for sale £m	Total £m
Statement of financial position assets						
Available for sale financial assets	–	–	–	–	1	1
Held to maturity investments	149	–	–	–	–	149
Derivative financial instruments	–	–	156	–	–	156
Trade and other receivables	–	439	–	–	–	439
Cash and cash equivalents*	–	548	–	–	34	582
	149	987	156	–	35	1,327

At 31 December 2009	At fair value through profit or loss £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Statement of financial position liabilities				
Borrowings	–	–	1,440	1,440
Derivative financial instruments	34	–	–	34
	34	–	1,440	1,474

At 31 December 2008	Loan and receivables £m	At fair value through profit or loss £m	Derivatives used for hedging £m	Available for sale £m	Total £m
Statement of financial position assets					
Available for sale financial assets	–	–	–	5	5
Derivative financial instruments	–	208	10	–	218
Trade and other receivables	454	–	–	–	454
Cash and cash equivalents	583	–	–	33	616
	1,037	208	10	38	1,293

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

*Excludes cash in the disposal group of £4 million.

25 Derivative financial instruments

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

	2009		2008	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current portion:				
Interest rate swaps – fair value through profit or loss	3	(3)	2	(2)
Forward foreign exchange contracts – cash flow hedges	–	–	10	(1)
Forward foreign exchange contracts – fair value through profit or loss	2	(1)	7	(4)
	5	(4)	19	(7)
Non-current portion:				
Interest rate swaps – fair value through profit or loss	151	(30)	194	(25)
Forward foreign exchange contracts – cash flow hedges	–	–	–	–
Forward foreign exchange contracts – fair value through profit or loss	–	–	5	–
	151	(30)	199	(25)
	156	(34)	218	(32)

Interest rate swap assets as at 31 December 2009 include £120 million of cross currency interest rate swaps relating to the €118 million 2011 Eurobond and the €188 million 2014 Eurobond (see note 22).

The remaining £34 million of assets relates to a number of floating rate swaps. ITV has a £125 million swap matched against half of the 2017 £250 million bond. Under this swap ITV receives 6.125% (to match the original bond coupon) and pays three-month sterling LIBOR plus 0.51% with the 3-month sterling LIBOR capped at 5.25% for rates between 5.25% and 8.0%. ITV also has a

£162.5 million swap matched against part of the 2015 £425 million bond. Under this swap ITV receives 5.375% (to match the bond coupon) and pays six-month sterling LIBOR plus 0.3%. In addition, ITV has other swaps totalling £162.5 million matched against part of the 2015 £425 million bond. Under these swaps ITV receives 5.375% (to match the bond coupon) and pays a weighted average of three-month sterling LIBOR plus 1.45%.

Interest rate swap liabilities of £33 million as at 31 December 2009 relate to various fixed rate swaps. ITV has a £162.5 million swap with a maturity of October 2015 under which it receives three-month sterling LIBOR and pays 4.35%. The bank has the right to cancel the swap. ITV also has a £162.5 million swap with a maturity of October 2015 under which it receives six-month sterling LIBOR plus 0.3%, and pays the higher of six-month sterling LIBOR minus 0.2% or six-month US\$ LIBOR minus 1.0%, set in arrears or in advance. In addition, ITV has a £125 million swap with a maturity of January 2017 under which it receives three-month sterling LIBOR and pays 4.31%. The bank has the right to cancel the swap.

All forward foreign exchange contracts hedge underlying currency exposures. The forward foreign exchange contracts which were designated as cash flow hedges related to contractual payments for sport and other programme rights and transponder costs. All cash flow hedges outstanding at 31 December 2008 matured during 2009.

26 Provisions

	Contract provisions £m	Restructuring provisions £m	Property provisions £m	Other provisions £m	Total £m
At 1 January 2009	47	16	2	19	84
Additions in the year	1	7	16	–	24
Unwind of discount	3	–	–	–	3
Utilised in the year	(16)	(15)	(1)	(3)	(35)
At 31 December 2009	35	8	17	16	76

Of the provisions £47 million (2008: £43 million) are shown within current liabilities.

Contract provisions of £35 million are for onerous sports rights commitments; there were additions of £4 million in 2009, including £3 million from the unwind of the discount on the provision, and £13 million was utilised. The remaining £3 million of the CSA contract provision was utilised in the year.

Restructuring provisions of £8 million are in respect of previously announced efficiency programmes. The £15 million utilised in 2009 was in respect of regional news.

Property provisions of £17 million mainly relate to onerous lease contracts due to empty space created by the significant reduction in headcount in 2009. Utilisation will be over the anticipated life of the leases or earlier if exited. Of the additions of £16 million, £14 million has been classified as an operating exceptional cost in relation to a provision in respect of Gray's Inn Road.

Other provisions of £16 million mainly relate to potential liabilities that may arise as a result of Boxclever having been placed into administration, most of which relate to pension arrangements.

27 Assets held for sale

	2009 £m
Property, plant and equipment	7
Investment in joint ventures	43
Disposal group assets (note 28)	28
Assets held for sale	78

	2009 £m
Disposal group liabilities (note 28)	(3)
Liabilities held for sale	(3)

The liabilities held for sale are new in the year and are disclosed below.

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

	2009 £m
At 1 January 2009	3
Transfer from property, plant and equipment	9
Impairment of properties held for sale	(5)
Transfer from investments in joint ventures and associated undertakings	47
Net repayment of loans from investments in joint ventures and associated undertakings	(4)
Assets classed as disposal group (note 28)	60
Impairment of disposal group (note 28)	(32)
At 31 December 2009	78

During the year the Group began actively marketing properties in Birmingham and Bristol, which are deemed to be surplus to future operating requirements and for which disposal is anticipated to be completed within one year. These properties were transferred from property, plant and equipment at a net book value of £9 million. The property in Bedford, classified as an asset

held for sale in prior periods, continues to be classified as held for sale at the end of the year. Impairments of £5 million have been recognised in respect of these properties reflecting the currently challenging property market conditions.

The Group is actively marketing its 50% interest in Screenvision US (Technicolor Cinema Advertising LLC) and has classified this joint venture investment as an asset held for sale carried at £47 million. The investment being sold is not core to the Group's main activities and is disclosed in the Other segment (note 2). During the year the Group received net repayments of loans of £4 million from this entity. This sale is expected to complete within one year.

The Group continues to also actively market its interest in Screenvision (Holdings) Europe Limited, an asset held for sale carried at £nil. The investment being sold is not core to the Group's main activities and is disclosed in the Other segment.

28 Disposal group

The disposal group consists of the non-core business, Friends Reunited. In August 2009, the Group announced that it had agreed to sell Friends Reunited to Brightsolid Limited for a total cash consideration of £25 million with a variable component dependent on the net current assets of the business on the date of completion. On 2 November, the Office of Fair Trading referred the acquisition to the Competition Commission for further investigation. The Competition Commission is currently reviewing the proposed transaction with a final decision expected by 16 April 2010. The Friends Reunited social networking business, within the Broadcasting & Online segment, is consequently presented as held for sale.

At 31 December 2009 the disposal group comprised assets of £28 million less liabilities of £3 million.

An impairment loss of £32 million on the remeasurement of the disposal group to the lower of its carrying amount and fair value less costs to sell has been recognised in non-operating exceptionals (see note 5).

	31 December 2009 £m
Intangible assets	23
Trade and other receivables due within one year	1
Cash and cash equivalents	4
Disposal group assets	28

	31 December 2009 £m
Trade and other payables due within one year	(3)
Disposal group liabilities	(3)

29 Acquisitions and disposals of businesses

Acquisitions and disposals in 2009

GMTV

On 26 November 2009, the Group acquired the remaining 25% interest in the shares of GMTV Limited, the national breakfast time channel 3 licensee, taking its total percentage of shareholding to 100%. The results of this entity have always been disclosed within the consolidated income statement of the Group at 100% with an adjustment made to reflect the previous non-controlling interest's share. The impact of the acquisition of the remaining non-controlling interest is reflected in the consolidated statement of changes in equity.

The fair value of the consideration paid is £23 million. The non-controlling interest reserve of £8 million was debited on acquisition with the excess of consideration over the identifiable net assets acquired of £15 million debited to retained losses in accordance with IAS 27.

Friends Reunited

In January 2009 the Group paid £50 million in respect of the final payment of the earn-out arrangement relating to the Friends Reunited acquisition undertaken in 2005 previously disclosed within other payables in note 19 of this report.

Disposals

The Group disposed of its 100% interest in Enable Media Limited on the 22 September 2009 for £nil cash consideration resulting in a loss on disposal of £6 million. The Group's 63% interest in JFMG Limited was sold on 18 February 2009 for £1 million cash consideration resulting in a gain on disposal of £1 million.

30 Called up share capital

The Group's share capital is the same as that of ITV plc. Details of this are given in note v in the ITV plc Company financial statements section of this annual report.

Employees' Benefit Trust

The Group has investments in its own shares as a result of shares purchased by the ITV Employees' Benefit Trust. As at 31 December 2009 the trust held the following shares:

	2009		2008	
	Number of shares	Market value £m	Number of shares	Market value £m
ITV Employees' Benefit Trust	3,528,761	2	4,144,550	2

The nominal value of own shares held is £0.35 million (2008: £0.41 million). The shares will be held in trust until such time as they may be transferred to participants of the various Group share schemes. Rights to dividends have been waived by the ITV Employees' Benefit Trust in respect of shares held which do not relate to restricted shares under the Deferred Share Award Plan.

The total number of shares held by the trust at 31 December 2009 is 3,528,761 (2008: 4,144,550) ordinary shares representing 0.09% (2008: 0.11%) of ITV's issued share capital.

In accordance with the Trust Deed, the Trustees of the ITV Employees' Benefit Trust have the power to exercise all voting rights in relation to any investment (including shares) held within that trust. During the year the following ordinary shares were purchased/(released) from the above trust to satisfy awards vesting under the Group's share schemes as follows:

Shares released from:	Number of shares (released)/purchased	Nominal value £	Scheme
ITV Employees' Benefit Trust	(8,175,476)	(817,548)	ITV Deferred Share Award Plan
	(64,945)	(6,495)	Carlton Deferred Award Bonus Plan
	(531,785)	(53,179)	Granada Commitment Scheme
	(634,112)	(63,411)	ITV Employee Bonus Plan
	8,790,529	879,053	Shares purchased

Shares released under the ITV Employee Bonus Plan include 264,784 shares awarded to all employees in March 2009 and an additional 369,328 shares awarded to all eligible employees in December 2009.

31 Contingent liabilities

There has been a disagreement between the Group, STV Group plc and the two licence holding subsidiaries, STV Central and STV North, as to the amounts of money due and payable to the Group. A legal claim, based upon the balances outstanding at 30 April 2009, for approximately £38 million in respect of outstanding invoices, was filed on 22 September 2009 and Particulars of Claim were served on 24 September 2009.

The Group recognises that certain amounts are due to STV and these and other amounts are the subject of a counterclaim served by STV on 13 November 2009. Prior to the litigation, the Group and STV have come to an arrangement whereby amounts owed to each other will be set off, although until the current litigation is resolved, that amount cannot be accurately identified. For the period after 30 April 2009, the Group and STV have agreed to operate a monthly payment on account scheme so that the operations may continue effectively.

In a separate action STV Central and STV North issued proceedings on 16 November 2009 against ITV Network and other Group companies in relation to the exploitation of new media rights in the UK. Through the proceedings STV Central and STV North seek an injunction to prevent the ITV Network from entering into any UK wide deals involving new media rights and seek declarations in relation to how the rights are owned and may be exploited. The Group rejects this claim and intends to defend it robustly. No provision has been made in these financial statements for this claim.

On 24 February 2010, STV issued a letter alleging that the Group has acted with unfair prejudice against the interests of STV and that ITV Network is in breach of its fiduciary duties to STV. ITV Network rejects these allegations and will vigorously defend any claim that is brought.

There are other contingent liabilities in respect of certain litigation and guarantees, and in respect of warranties given in connection with certain disposals of businesses.

32 Operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 £m	2008 £m
Not later than one year	13	16
Later than one year and not later than five years	39	45
Later than five years	145	152
	197	213

The Group leases a number of properties principally comprising offices and studios under operating leases. Leases typically run for a period of between five and ten years and may or may not have an option to renew after that date. Lease payments are typically increased every five years to reflect market rentals. None of the leases include contingent rentals.

The total future minimum sublease payments expected to be received under non-cancellable subleases at the reporting date is £5 million (2008: £8 million).

The total operating lease expenditure recognised during the year was £14 million (2008: £19 million) and total sublease payments received totalled £4 million (2008: £4 million).

33 Capital and other commitments

There are £1 million of capital commitments at 31 December 2009 (31 December 2008: £1 million). There are also a number of operating commitments in respect of programming entered into in the ordinary course of business.

34 Subsequent events

In January and February 2010 the Group repurchased £42 million of the 2015 £425 million Eurobonds. In February 2010 the Group repurchased €27 million (£23 million) nominal of the 2011 €118 million Eurobonds, leaving the net repayable in 2011 after cross currency swaps as £15 million.

35 Related party transactions

Transactions with associated undertakings and joint ventures:

	2009 £m	2008 £m
Sales to associated undertakings	1	2
Purchases from joint ventures	2	1
Purchases from associated undertakings	43	42

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

	2009 £m	2008 £m
Amounts owed by joint ventures	25	27
Amounts owed by associated undertakings	4	7
Amounts owed by pension scheme	1	1

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

All transactions with associated undertakings and joint ventures arise in the normal course of business on an arm's-length basis. None of the balances are secured.

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

Transactions with key management personnel

Key management consists of ITV plc executive, non-executive directors and ITV's senior executive team. Key management personnel compensation is as follows:

	2009 £m	2008 £m
Short-term employee benefits	10	6
Post-employment benefits	1	—
Termination benefits	2	2
Share-based compensation	5	5
	18	13

Directors' responsibility statement

The responsibility statement below has been prepared in connection with the consolidated and parent companies full annual report for the year ended 31 December 2009. Certain parts thereof are not included within this announcement.

I confirm on behalf of the Board that to the best of our knowledge:

1. The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. The Operating review and the Financial review, which is incorporated in the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole.

Andrew Garard
Company Secretary

ITV plc Company Financial Statements

Company balance sheet

At 31 December:	Note	2009 £m	2009 £m	2008 £m	2008 £m
Fixed assets:					
Investments in subsidiary undertakings	iii		1,671		1,699
Held to maturity investments			149		–
Derivative financial instruments			151		194
			1,971		1,893
Current assets:					
Amounts owed by subsidiary undertakings		173		78	
Prepayments and accrued income		–		1	
Cash at bank and in hand and short-term deposits		146		283	
		319		362	
Creditors – amounts falling due within one year:					
Borrowings	iv	–		(252)	
Amounts owed to subsidiary undertakings		(173)		(88)	
Accruals and deferred income		(21)		(33)	
Other creditors		–		(53)	
Dividends		–		(25)	
		(194)		(451)	
Net current assets/(liabilities)			125		(89)
Total assets less current liabilities			2,096		1,804
Creditors – amounts falling due after more than one year:					
Borrowings	iv		(1,366)		(1,192)
Derivative financial instruments			(29)		(25)
			(1,395)		(1,217)
Net assets			701		587
Capital and reserves:					
Called up share capital	v		389		389
Share premium	vi		120		120
Other reserves	vi		71		36
Profit and loss account	vi		121		42
Shareholders' funds – equity			701		587

The accounts were approved by the Board of Directors on 3 March 2010 and were signed on its behalf by:

Ian Griffiths

Notes to the ITV plc Company Financial Statements

i Accounting policies

Basis of preparation

As permitted by section 408 (3) of the Companies Act 2006, a separate profit and loss account, dealing with the results of the parent company, has not been presented.

Under FRS 29 the Company is exempt from the requirement to provide its own financial instruments disclosures, on the grounds that it is included in publicly available consolidated financial statements which include disclosures that comply with the IFRS equivalent to that standard.

Subsidiaries

Subsidiaries are entities that are directly or indirectly controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The investment in the Company's subsidiaries are recorded at cost, adjusted for the effect of the adoption of UITF 41 in prior periods. Annual FRS 20 share based payment compensation costs are recharged to the subsidiary's through the profit and loss account.

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of the transaction.

Borrowings

Borrowings are recognised initially at fair value including directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. The difference between initial fair value and the redemption value is recorded in the profit and loss account over the period of the liability on an effective interest basis.

Derivatives and other financial instruments

The Company uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and other foreign exchange rates. The Company does not hold or issue derivative instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the profit and loss account within net financing costs. Derivatives with a positive fair value are recorded as assets and negative fair values as liabilities.

The fair value of foreign currency forward contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the balance sheet date. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

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

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

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

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

ii Employees

Four (2008: four) directors of ITV plc were the only employees of the Company during the year.

iii Investments in subsidiary undertakings

The principal subsidiary undertakings are listed in note ix. The movements during 2009 were as follows:

	£m
At 1 January 2009	1,699
Impairment	(28)
At 31 December 2009	1,671

An impairment charge of £28 million was recognised in respect of Friends Reunited now carried at its fair value less costs to sell of £25 million.

iv Borrowings

Loan repayable after more than one year

Loans repayable after more than one year as at 31 December 2009 comprise an unsecured €118 million Eurobond which has a coupon of 6.0% and matures in October 2011, an unsecured loan from a bank for £50 million which has a coupon of 12-month sterling LIBOR plus 6.814% and matures in May 2013, an unsecured £110 million Eurobond which has a coupon of three-months sterling LIBOR plus 2.7% and matures in March 2013, an unsecured €188 million Eurobond which has a coupon of 10.0% and matures in June 2014, an unsecured £425 million Eurobond which has a coupon of 5.375% and matures in October 2015, an unsecured £135 million convertible Eurobond which has a coupon of 4.0% and matures in November 2016, an unsecured £250 million Eurobond which has a coupon of 7.375% and matures in January 2017 and an unsecured loan from a bank for £200 million which has a coupon of 8.85% for its first three years and a variable rate thereafter which matures in March 2019.

v Called up share capital

	Authorised		Allotted, issued and fully paid	
	2009 £m	2008 £m	2009 £m	2008 £m
Ordinary shares of 10 pence each				
Authorised:				
8,000,000,000 (2008: 5,826,377,627)	800	583		
Allotted, issued and fully paid:				
3,889,129,751 (2008: 3,889,129,751)			389	389
Total	800	583	389	389

The Company's ordinary shares give shareholder's equal rights to vote, receive dividends and to the repayment of capital. There have been no issued ordinary share capital movements during the period.

vi Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 January 2009	389	120	36	42	587
Retained profit for year for equity shareholders	–	–	–	67	67
Share-based compensation	–	–	–	11	11
Equity portion of the convertible bond	–	–	35	1	36
At 31 December 2009	389	120	71	121	701

The profit after tax for the year dealt with in the accounts of ITV plc is £67 million (year ended 31 December 2008: loss of £218 million) before dividends declared of £nil (2008: £96 million).

vii Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2009 of £25 million (31 December 2008: £13 million). The Company has guaranteed certain finance and operating lease obligations of subsidiary undertakings.

There are contingent liabilities in respect of certain litigation and guarantees and in respect of warranties given in connection with certain disposals of businesses and in respect of certain trading and other obligations of certain subsidiaries.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

viii Capital and other commitments

There are no capital commitments at 31 December 2009 (31 December 2008: none).

ix Principal subsidiary undertakings and investments

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 31 December 2009, all of which are wholly-owned (directly or indirectly) and incorporated and registered in England and Wales except where stated, are:

Name	Principal activity
12 Yard Productions ⁽¹⁾	Production of television programmes
3sixtymedia Limited ⁽²⁾	Supplier of facilities for television productions
Carlton Communications Limited	Holding company
Friends Reunited Limited	Operation of community based websites
GMTV Limited	Production and broadcast of breakfast time television under national Channel 3 licence
Granada Limited	Holding company
Granada Ventures Limited	Production and distribution of video and DVD products
ITV Broadcasting Limited	Broadcast of television programmes
ITV Consumer Limited	Development of platforms, broadband, transactional and mobile services
ITV Digital Channels Limited	Operation of digital television channels
ITV Global Entertainment Limited	Rights ownership and distribution of television programmes and films
ITV Network Limited ⁽³⁾	Scheduling and commissioning television programmes
ITV Services Limited	Provision of services for other companies within the Group
ITV Studios Limited	Production of television programmes
ITV2 Limited	Operation of digital television channels
SDN Limited	Operation of Freeview Multiplex A
Granada Media Australia Pty Limited ⁽⁴⁾	Production of television programmes
Granada Produktion für Film und Fernsehen GmbH ⁽⁵⁾	Production of television programmes
Imago TV Film und Fernsehproduktion GmbH ^(5, 6)	Production of television programmes
Silverback AB ⁽⁷⁾	Production and distribution of television programmes
ITV Global Entertainment, Inc ⁽⁸⁾	Distribution of television programmes
ITV Studios, Inc. (formerly Granada Entertainment USA) ⁽⁸⁾	Production of television programmes
Jaffe/Braunstein Entertainment LLC ⁽⁹⁾	Production of television programmes

(1) A partnership.

(2) 80% owned.

(3) Interest in company limited by guarantee.

(4) Incorporated and registered in Australia.

(5) Incorporated and registered in Germany.

(6) 67.72% owned.

(7) Incorporated and registered in Sweden.

(8) Incorporated and registered in the USA.

(9) 51% owned.

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

Principal joint ventures, associated undertakings and investments

The Company indirectly held at 31 December 2009 the following holdings in significant joint ventures, associated undertakings and investments:

Name	Note	Interest in ordinary share capital 2009 %	Interest in ordinary share capital 2008 %	Principal activity
Carbon Media Limited	a	25.00	–	Production of television programmes
Crackit Productions Limited	a	25.00	25.00	Production of television programmes
Freesat (UK) Limited	b	50.00	50.00	Provision of a standard and high definition enabled digital satellite proposition
Independent Television News Limited	a	40.00	40.00	Supply of news services to broadcasters in the UK and elsewhere
ISAN UK Limited	a	25.00	–	Operates voluntary numbering system for the identification of audiovisual works
Mammoth Screen Limited	a	25.00	25.00	Production of television programmes
Screenvision Holdings (Europe) Limited ⁽¹⁾	b	50.00	50.00	European cinema advertising
STV Group plc ⁽²⁾	c	7.36	7.36	Television broadcasting in central and north Scotland
Technicolor Cinema Advertising LLC ^(1,3)	b	50.00	50.00	US cinema advertising
Electric Farm Entertainment LLC ⁽³⁾	c	10.00	10.00	Digital studio company

(1) Classified as an Asset Held for Sale.

a Associated undertaking.

(2) Incorporated and registered in Scotland

b Joint venture.

(3) Incorporated and registered in USA.

c Available for sale financial asset.

x Post balance sheet events

In January and February 2010 the Company repurchased £42 million of the 2015 £425 million Eurobonds. In February 2010 the Company repurchased €27million (£23 million) nominal of the 2011 €118 million Eurobonds, leaving the net repayable in 2011 after cross currency swaps as £15 million.