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ITV plc.

Platform for change

ITV plc Report and accounts 2009

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Contents

Financial summary

Group revenues of £1,879m 2008. £2,029m

EBITA before exceptional items of £202m 2008: £211m

Adjusted cash flow of £358m* 2008: £158m

Profit before tax of £25m 2008: Loss before tax of £2,732m

Earnings per share of 2.3p 2008: Loss per share of 65 9p

Adjusted earnings per share of 1.8p* 2008: 1.8p

Net debt of £612m 2008: £730m

* See definitions on page 32

ITV's Business review
The Business review explains in detail how we have performed this year and sets out a fair review of the business, balanced and comprehensive analysis of our performance the use of financial and non-financial key performance indicators to explain how much progress we have made, a description of the principal risks and uncertainties facing the Company, and an indication of likely future developments.

The Business review is prepared in line with the relevant provisions of the Companies Act 2006. In preparing the Business review the Company has had regard to the guidance issued by the Accounting Standards Board in its Reporting Statement on narrative reporting. The Business review is intended to provide shareholders with a greater understanding of the Company, of its position in the markets within which it operates, and of its prospects.

In setting out the Company's main risks and uncertainties, an indication of likely future developments, and in other content, this report and accounts contains statements which, by their nature, cannot be considered indications of likelihood or certainty. The statements are based on the knowledge and information available at the date of preparation of the Business review and what are believed to be reasonable judgements. A wide range of factors may cause the actual outcomes and results to differ materially from those contained within, or implied by, these various forward-looking statements. Nor should any of these statements be construed as a profit forecast.

Chairman's statement

Dear Shareholder

I am delighted to have joined ITV as Chairman on 1 January 2010 Whilst the business faces many difficult challenges, it remains an exciting place to work with a unique role in national life Its revitalisation is important, not just to shareholders, but to millions of viewers across the country My objective is to work with the executive team to transform the Company so as to enable it to prosper in a rapidly changing media landscape

Progress in 2009

ITV came through a very challenging year in 2009 Not only was it the worst television advertising recession on record, but the difficulties of the leadership succession provided a distracting context for the business and the executive team

Against this background, ITV delivered a remarkably resilient performance, very much as a result of decisive management action to reduce costs and strengthen the balance sheet As a consequence, the business avoided a serious liquidity crisis and EBITA before exceptional items fell only marginally Adjusted cash flow increased by £200 million and net debt reduced by over £100 million ITV's debt repayments have been rescheduled and its pension scheme liabilities have been stabilised In the light of the continuing economic uncertainty, the Board is not proposing payment of a final dividend However, financially we now have a more stable platform from which to address the challenges ahead

In response to the advertising downturn, the programme budget was cut by over £100 million Nonetheless, ITV ended the year with a strong schedule performance Although ITV1 continued to lose audience share, the ITV channel family held its share overall There were some significant programming successes, notably The X Factor, but also Law & Order UK, Whitechapel, Dancing on Ice, and Britain's Got Talent Both our valuable long-running soaps, Coronation Street and Emmerdale, remain in good health Such programming success is critical to sustaining ITV's share of the free-to-air advertising market

Our content business, ITV Studios, held profits, with increased international production offsetting a decline in the UK business Internal ITV commissions in particular came under some pressure, as the ITV1 programming budget was reduced Nevertheless, ITV Studios is making progress with its third party business and remains a hive of creative talent.

Overall therefore, ITV has weathered the storm The business has a manageable balance sheet, a strong brand and a talented broadcasting and creative team

Future challenges

Against this recent context, it is clear that ITV now faces an imperative for change The traditional free-to-air advertising-fuelled television model will see long-term decline in share of viewing and share of UK media revenues To secure and grow shareholder value, we need to ensure we use the extraordinary talent base of ITV to compete, not only in conventional broadcasting, but also as a developer and exploiter of content across multiple platforms in the UK and internationally Seizing the opportunities ahead will require changes to ITV's organisation, systems, people and culture

Our first challenge will be to sustain the creative and commercial health of our free-to-air broadcast business In doing so, we face intense competition from the BBC, whose taxpayer-funded revenue has been unaffected by the economic downturn, and from BSkyB, whose satellite platform continues to grow and, as it does so, erode the share of traditional free-to-air viewing

The rapid development of digital media means that the British public will increasingly view television through the internet, via internet-enabled television, personal computers and mobile devices ITV currently has a small share of online video, lagging behind our competitors Furthermore new competitors, such as Google, are strongly positioned to play a leading role, potentially displacing broadcasters as the initial point of access

As the market for content globalises and rights ownership becomes a more important part of the value chain, the integrated broadcaster-producer model should be a source of competitive advantage However, ITV Studios, our content creation and distribution business, has lost market share, both within ITV and the wider UK market, partly as a result of reduced internal commissions Restoring growth at ITV Studios and reinvesting in talent is a vital part of our future

Finally, despite successive reviews by the Government and Ofcom, ITV remains one of Britain's most heavily regulated businesses Consequently our freedom to operate is severely limited, in particular compared to our new media competitors The adverse impact on the profitability of all free-to-air broadcasters is resulting in declining investment in UK content with serious implications for Britain's creative industries

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Archie Norman
Chairman

Platform for change

The task therefore for the new management team at ITV is to take advantage of the opportunity last year's changes have created and to address resolutely the challenges ahead I am therefore delighted that Adam Crozier will be joining from Royal Mail Group as Chief Executive shortly Adam has an outstanding track record of transformational management, has worked successfully with creative and media talent, and has long experience of dealing with regulators and government

As we embark on this journey, we inherit a platform for change created out of the fire of recession by my predecessor, Michael Grade, and by John Cresswell, the Interim Chief Executive Michael has been an iconic figure at the helm of ITV and handed over a business with a spring once more in its step He arrived at a very difficult time for ITV and leaves a business strengthened in many respects Throughout, John Cresswell has provided calm and strong leadership We are grateful to them both

Since my arrival we have moved to streamline the Board to prepare for the journey ahead and to create a strong and very engaged team As a result some very distinguished non-executive directors have stood down These include our Deputy Chairman, Sir George Russell, who made a substantial contribution to ITV from the days of the merger Sir James Crosby played an important role as ITV's Senior Independent Director, a position which has now been taken on by Mike Clasper Agnès Touraine and Heather Killen also stood down from the Board towards the end of the year I would like to thank them all for their contribution

Outlook

In my short time at ITV, I have met many highly talented people at all levels of the organisation There is a shared recognition that the business will need to change substantially going forward if we are to return to sustained growth In the coming months we will outline in more detail the outcome of our current strategic review and the journey ahead Whilst this new phase in the development of ITV is going to be a challenging one, we enter it with a vibrant pipeline of programmes, a very strong brand and a talented team Ours is a people business and, with the right people, culture, motivation and leadership, the future of ITV will lie in our own hands

Archie Norman

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Adam Crozier

Adam Crozier will join ITV as Chief Executive on 26 April 2010

Adam joins ITV from Royal Mail Group, where he has been Group Chief Executive since 2003, leading the modernisation of the group, transforming it from a heavily loss making position to profitability and reducing the cost base by £1 5 billion

From 2000 to 2002, Adam was Chief Executive at The Football Association During his time at the FA, turnover doubled and financing for the new Wembley Stadium was secured Between 1995 and 1999, Adam was Joint Chief Executive of Saatchi & Saatchi Advertising, which he had joined in 1988

Adam is a non-executive director of Debenhams plc, a non-executive director of Camelot Group plc, and Chairman of the Employers' Forum for Disability Adam Crozier is 46 and holds a BA in Business Organisation from Heriot Watt University

About us

ITV operates a family of UK television channels, including ITV1, and delivers programmes online via itv.com and ITV Player. ITV Studios produces and distributes programmes in the UK and worldwide.

Broadcasting & Online

ITV Broadcasting operates ITV's family of channels: ITV1, ITV2, ITV3, ITV4 and CITV.

ITV1 is the largest commercial television channel in the UK in terms of both audience share and advertising revenues In peak viewing time, ITV1 attracts the largest audience of any UK broadcaster, including BBC1. ITV's digital channels are available on all multi-channel platforms and continue to grow their audiences year-on-year.

Across its channels, ITV invests around £1 billion each year in network and regional programming, with the majority spent on original UK production

ITV's channels are delivered free of charge to consumers, funded by advertising and sponsorship revenues, which totalled £1,350 million in 2009

ITV's broadcast assets include the multiplex operator SDN, which leases out digital terrestrial capacity to channel operators on the UK's largest broadcast platform, Freeview.

ITV's online operations include itv.com and video on demand services on cable television and other 'closed' platforms itvcom delivers ITV programming and clips to internet users via ITV Player, funded by online advertising and sponsorship.

Online revenues, primarily from online display and video advertising, and including Friends Reunited, totalled £37 million in 2009

More on page 18 →

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ITV Studios

ITV Studios produces programming for ITV's own channels and for other UK and international broadcasters. ITV Studios also distributes programming, formats and merchandising in the UK and worldwide on multiple platforms.

ITV Studios makes more original programming for ITV than any other producer, including five of the top ten titles on ITV1 in 2009 In addition, ITV Studios produces programmes for the BBC, Channel 4, Five, Sky and other UK broadcasters

ITV Studios has a growing portfolio of international production offices around the world, including in the US, Germany, Australia, Sweden, Spain and France In 2009, revenues from international production were £138 million.

ITV Studios Global Entertainment is ITV's international distribution, home entertainment, publishing, merchandising and licensing business with offices in London, Cologne, Hong Kong, Los Angeles, Rio de Janeiro and Sydney.

With over 35,000 hours of original and formatted programming from ITV Studios and leading independent producers, Global Entertainment distributes programmes to broadcasters in 240 territories worldwide

ITV Studios external revenues in 2009 totalled £335 million with an additional £262 million of revenues from sales of programming to ITV

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2009 at a glance

ITV's priorities in 2009 were to strengthen the balance sheet by focusing on cash; to deliver substantial cost savings; and to maintain operational progress across the core business.

January	February	March	April	May	June
Cash and financial position					
Scheduled debt repayments to 2014 of around **£700m**	Secured **ten-year loan** of £50m	Repaid **£250m** bond and drew down **£125m** covenant free loan		Raised over **£50m** via bond tap extending existing 2015 bond	Reduced 2011 repayment by around **£200m** via bond exchange
Cost savings					
£40m per annum savings delivered over 2006–08	**PSB review** confirms ITV plan to reduce regional costs by £40m	£155m **cost saving target** set for 2009, including on and off-screen savings			**Digital Britain** report confirms scope for further savings in regional news

Core business

Broadcasting & Online

January	February	March	April	May	June
Winter drama launches include **Law & Order: UK**, **Whitechapel** and **Above Suspicion**	**ITV Player** launches on Virgin Media television platform	**Freesat** sells over 300,000 receivers	Third series of **Britain's Got Talent** launches and becomes the most successful series to date	Best ever month on **itv.com** with **12.8m** unique users and **50m** video views	**ITV2** overtakes Five in terms of volumes with younger audiences
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ITV Studios

January	February	March	April	May	June
Coronation Street reaches its 7,000th episode and remains top rating UK soap	**Come Dine With Me** commissioned for a further series by Channel 4	Peak audience of **12.4m** viewers watch the final of **Dancing on Ice**	Fox announce **I'm A Celebrity USA** line up, format later sells to Sweden and India	**Talkin' 'Bout Your Generation** launches in Australia as the highest rating comedy series premiere ever	Entertainment pilots, **The Chase** and **The Fuse** air on ITV1
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July	August	September	October	November	December
Reduction in programme stock drives £100m **working capital gain** over first half	ITV announces sale of **Friends Reunited** subject to regulatory clearance	Consultation on pension initiatives to reduce deficit by around **£100m**	Launch of convertible bond which raised **£135m**	Over **£100m** of borrowings repaid early	Repayments to 2014 reduced by **£371m** to **£324m** over the course of 2009
		Government confirms **Digital Economy Bill** to address financing for ITV regional news	Ofcom consult on review of **ITV licence payments**		Targeted savings delivered and headcount reduced by **over 1,200**
ITV1 schedule changes, with soap moves and Wednesday night football	**The X Factor** returns for its most successful series with the final peaking at 19.3m viewers Logo removed	A peak of 9.8m watch England qualify for the **World Cup** in 2010 Logo removed	**ITV News** announces relaunch, with 2009 ratings up 6% on 2008 Logo removed	ITV secures full ownership of breakfast franchise **GMTV** Logo removed	**Project Canvas** receives provisional approval from the BBC Trust
Hell's Kitchen USA returns for sixth season on Fox and now watched in over 90 territories Logo removed	**Four Weddings** sold to Germany and US, following UK run on Living	**This Morning** relaunches on ITV1 and online with ratings up 8% Logo removed	**ITV Studios** launches in Spain with France to follow	**The Prisoner** airs on AMC in the US, ahead of ITV launch in 2010 Logo removed	Ninth series of **I'm A Celebrity UK** peaks with 11.5m viewers

Operating review

The UK television advertising market experienced record declines across 2009. We executed a concerted response which ensured that ITV entered 2010 as a leaner, fitter business, with a stronger balance sheet.

2009 was a very challenging year for ITV UK television advertising revenues fell by 9% in the final quarter of 2008 and weakened further across the first half of 2009, with ITV advertising revenues falling by 15% Such was the level of market uncertainty, even then we could not be confident that we were at the bottom of the downturn

Given our high levels of financial and operational gearing, ITV rapidly put in place an action plan, with three over-arching priorities

First and foremost, we needed to stabilise the finances of the business to ensure that we could weather the economic storm

Secondly, we needed to reduce our costs We set out plans to deliver savings in 2009 equivalent to 9% of our cost base

Thirdly – and crucially – we were determined to maintain the progress the business was starting to make Cutting investment or making savings by undermining ITV's long-term health would represent a false economy for our shareholders

A year on, with some greater stability in the market, we have delivered tangible progress against each of these objectives

Cash and the balance sheet
With television advertising accounting for almost 70% of ITV revenue, we had to work hard to ensure that the downturn did not put undue pressure on cash and debt levels

Whilst our EBITA before exceptional items reduced slightly, we managed stock levels tightly and increased our adjusted cash flow by £200 million As a result, we reduced our net debt by over £100 million at the year end

We have also ensured that our debt is repayable over a longer timeframe We raised around £250 million of new borrowings repayable over five to ten years, including a convertible bond We reduced our 2011 debt repayment by nearly 90% All our debt is covenant free and cash on the balance sheet is sufficient to cover all repayments to 2015

Whilst the immediate funding pressure has been reduced, challenges remain The pension deficit has increased, reflecting actuarial changes We are actively managing this risk, reducing liabilities by £110 million through benefit changes The next major funding valuation is due in 2011

Further details on the action we have taken to strengthen the balance sheet are set out in the Financial review

Cost savings
Across the three years to the end of 2008, ITV delivered £40 million in cost savings In the face of the economic downturn, we committed to new savings of a different order of magnitude, with a target of £155 million for 2009

There are three elements to this cost reduction regional programming, network programming, and efficiencies off-screen

In regional programming, we reduced costs by £44 million We did this whilst maintaining service quality by simplifying the regional map and reducing non-news output, both with regulatory consent Further regional savings may be deliverable over time given the political consensus that the cost of our licence commitments need to return to balance with reducing licence benefits Additional savings such further deregulation would yield are not included in our savings targets

We reduced network programming costs by £75 million during the year Our investment in original programming remained substantial at £540 million, but reduced year-on-year by almost £70 million Nonetheless, ITV1 performed well, reducing share of commercial impact decline compared to 2008 and launching a number of successful new series, including Law & Order UK, The Cube, Above Suspicion and Whitechapel

Off-screen we delivered £50 million of savings Staff headcount was reduced by over 1,200 posts and we closed operations where further investment could no longer be justified We have also simplified our structure by integrating our Online business with Broadcasting We are seeking to dispose of the joint venture Screenvision US and have agreed to sell Friends Reunited, subject to final regulatory approval

In total across 2009, we exceeded our target and delivered £169 million in savings These savings have protected our profits in the face of revenue decline, but have also funded important investments, including high definition, video on demand and other emerging platforms and services, which will continue into 2010

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John Cresswell
Interim Chief Executive

Core operating performance
In 2008 ITV held its share of audience and advertising, whilst establishing its online video proposition and growing its international production revenues As important as it was to reduce our cost base and to stabilise our finances, we were determined to maintain this operational momentum into 2009

In fact, with our focus on delivery unwavering, we succeeded in delivering further progress during the year across all of our key business areas

As well as holding our audience share once again, we increased our share in peak viewing hours We started to win back share of the television advertising market from our competitors Online viewing of catch-up programming and clips started to achieve consistent scale, driving revenue growth

Our studios business continued to grow its external revenues, leveraging successful UK productions overseas, and – in a tough market context – held its profits year-on-year

Further details of the operating progress made in 2009 are set out over the following pages

2010 and beyond
As set out in the Forward look on page 26, 2010 will be another challenging year for ITV But we are focused on delivering further progress against our stated priorities

In terms of our core operating performance, we will seek to continue to hold our broadcast audiences and advertising market share, whilst building our online reach The breadth of our service offering will increase with the planned launch of an ITV1 HD service and ITV1+1, and continuing progress towards bringing the Project Canvas video on demand service to market Our ITV Studios business has secured an extended pilot deal with ITV channels and will look to leverage its UK successes in the international market.

With respect to cash and the balance sheet, we will look to maintain profit to cash conversion in excess of 90% on a rolling three year basis We will continue to manage our balance sheet and our interest costs, whilst seeking to further de-risk the pension liability

We are continuing to keep a tight rein on costs, with the review of licence payments and the next stage of regional news reform offering further potential upside

But whilst we have made progress and are clear on our short-term priorities, the business continues to face some considerable challenges over the longer term

Whilst we are seeing year-on-year growth in the market in early 2010, the outlook for UK television advertising remains uncertain ITV needs to look to protect its performance and profits from the impact of advertising volatility by developing alternative revenue streams Online, we need to be exploiting fully our deep programming archive, as well as catch-up and clips ITV Studios needs to deliver successful new international formats, which will drive margin improvement alongside revenue growth

Such issues are being addressed in a strategic review which is now underway In the meantime, with a strong operating performance, a lighter cost base and a number of key commercial rivals under pressure, ITV is well positioned to take full advantage if the stabilisation in the market continues and we start to see a sustained economic recovery

I am confident that the progress we have delivered over the past year – in an unforgiving market context – means that ITV is a leaner and fitter business in early 2010 than it was going into the downturn in late 2008 ITV now has a stronger platform to effect what will need to be an even more radical transformation of the business over the next several years

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John Cresswell

↓ Joanna Lumley, Catwoman
ITV1

↓ Whitechapel
ITV1

↓ Emmerdale
↓ ITV1

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↓ Britain's Got Talent
ITV1

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Britain's Got Talent final attracted an audience of 20 million viewers

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↓ **What Katie Did Next**
ITV2

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↓ **The Xtra Factor**
ITV2

↓ **Tour de France**
ITV4

↓ **Ladies of Letters**
↓ ITV3

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£1 billion invested in programming across the ITV family of channels

↓ England World Cup qualifiers

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150% rise in itv.com video views year-on-year

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↓ This Morning

↓ Dancing on Ice

↓ Coronation Street
↓

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↓ The Prisoner
ITV1/AMC

↓ Hell's Kitchen USA
Fox

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ITV Studios Global Entertainment represents 35,000 hours of content

↓ **Kändisdjungeln**
TV4, Sweden

↓ **Popstar to Operastar**
ITV1

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Broadcasting & Online

In a tough market, ITV's channels outperformed their commercial competition in terms of viewing and advertising share. ITV's core online service, itv.com, grew its users, video views and revenues.

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%.

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ITV's outperformance in revenue terms across 2009 reflected a 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%).

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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

Top ten new dramas on UK television

Title	Channel	Audience (million)
Whitechapel	ITV1	9 3
Collision	ITV1	8 4
Above Suspicion	ITV1	8 0
Unforgiven	ITV1	7 8
Murderland	ITV1	7 3
The Day of the Triffids	BBC1	7 0
Law & Order UK	ITV1	7 0
Demons	ITV1	6 3
Hope Springs	BBC1	6 3
Hunter	BBC1	5 8

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

Broadcasting & Online

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

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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 (see Forward look on page 26)

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

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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

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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

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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

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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

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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

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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

Despite the downturn amongst its broadcast customers, ITV Studios increased its external revenues by 9% to £335 million and held EBITA before exceptional items at £91 million.

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

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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

Forward look

Although the wider economic environment may be more stable in 2010, the outlook remains highly uncertain and ITV faces another challenging year

Broadcasting & Online
In early 2010, the television advertising market has returned to growth Across the first quarter, ITV expects its television advertising revenues to be up 7%, in line with the wider UK television advertising market

Into the second quarter, the level of Government spending on UK television advertising may be impacted by the general election However it is hoped that this should be offset by the positive impact of the football World Cup Whilst ITV has limited visibility on advertising beyond the first quarter, ITV is seeking to hold its share of the total market for a third year in succession

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ITV has continued to deliver a stable ratings performance in early 2010, with the ITV family maintaining its share of commercial impacts year-on-year over the first six weeks Over the same period, ITV1's share of commercial impacts was 28 7% (2009 29 4%), reflecting the success of programming including Above Suspicion, Take Me Out and Dancing on Ice As well as the start of the football World Cup, the second quarter includes the fourth series of Britain's Got Talent.

Following the Competition Commission review of CRR, ITV anticipates launching ITV1+1 and the ITV1 HD channel later in 2010 ITV1+1 and the HD services will strengthen ITV's channel line up and the channel offering on DTT, the platform on which ITV's channels perform best Preparations for the launch of devices allowing free-to-air access to video on demand services via the television, as part of Project Canvas, will also continue

With the CRR review completed, Ofcom intends to review the rules on advertising minutage Currently ITV1 (alongside Channel 4 and Five) is required to broadcast a lower volume of advertising than other UK commercial channels and must sell all its inventory ITV believes that it could potentially benefit from greater flexibility with respect to such restrictions

Ofcom is also set to consult on the limited introduction of product placement to UK television later in 2010 While there is uncertainty as to the scale of the market, product placement represents an opportunity for further revenue diversification

The requirement on ITV1 to broadcast regional news services remains a costly obligation which ITV believes is unsustainable in its current form Government has confirmed a pilot scheme which may see ITV plc relieved of regional news costs in two regions as early as 2010/11 and a framework for external funding of regional news across ITV by 2013 The Conservative Party opposes these specific proposals, but has also supported a reduction in ITV's public service broadcasting obligations

ITV1 has been required to make payments to the Treasury for its Channel 3 licences, which in 2009 totalled £22 million (2008 £30 million) An early review of the level of these licence payments is currently underway with new rates expected to be retrospectively applied from January 2010

ITV Studios
Trading for ITV Studios is expected to remain tough during 2010, reflecting pressure on commissioning budgets amongst broadcasters worldwide Internal commissions will be impacted as ITV's programme budget accommodates additional investment on the football World Cup In international production, a number of commissions secured in 2009 are not expected to be recommissioned for 2010, but may return for 2011

Strategic review
Early in 2010, ITV launched a major strategic review The review will set out the journey ITV needs to embark on to deliver its strategic objectives The new Chief Executive Adam Crozier is expected to set out the new strategy for the business later in 2010

Having exceeded its cost savings target for 2009, ITV is continuing to keep a tight rein on costs in 2010, with total schedule costs expected to be flat and further off-screen savings in train ITV continues to make targeted investment, in particular to support the launch of ITV1 HD, ITV1+1 and Project Canvas

Stakeholders

ITV's major stakeholders include shareholders, employees, suppliers, viewers and online users, UK and international broadcasters, and advertisers.

Employees

Given the difficult economic environment, ITV has seen its headcount fall significantly during 2009 As at 31 December 2009, the Company had 4,026 employees (2008 5,232 employees)

In tough market conditions, building employee engagement and commitment is an even greater priority for the Company In 2009, ITV undertook regular staff surveys to track staff opinion, commitment and engagement (see page 33)

People development
Ensuring that staff have the necessary skills and experience to deliver the Company's corporate objectives in rapidly changing market conditions is a priority for ITV

The Company's performance management process seeks to ensure that ITV employees have clear and aligned objectives which are evaluated each year All managers are required to undertake a formal Performance and Development Review with their staff In 2009, ITV refined its core training portfolio to focus on those core skills that best meet the priorities of the business

ITV has also implemented a number of initiatives in 2009 that give employees broader experience and enhance company-wide commitment These include the relaunch of the volunteering scheme which allows employees to use their creative and media skills through a range of volunteering opportunities A 12 month Fast Track scheme allows talented ITV staff at the beginning of their careers to build experience and skills on an accelerated basis

Rewards and incentives
In order to attract, retain and motivate the best talent, ITV aims to offer all employees a competitive package of pay, benefits and incentives In January 2010 ITV completed its annual pay review and concluded that there should be no increase in base salary for any ITV employees However, to provide recognition to its employees for their hard work and loyalty shown during a difficult year, ITV made a share award to the value of £340 to all eligible employees and provided an extra day's holiday

ITV offers a number of initiatives as part of its benefits package to incentivise all employees

- an annual bonus scheme for all ITV employees, which is dependent on ITV's performance against key financial and non-financial targets,
- an all-employee reward scheme, Create, which rewards employees for any new ideas that generate profit or improve the way ITV does business, and
- a Save As You Earn scheme which gives all employees the chance to save and build a stake in the Company

Diversity
ITV's diversity policy aims to ensure equality of opportunity irrespective of gender, marital status, race, origin, nationality, religious belief, disability, age or sexual orientation in recruitment, learning, development and promotion This also covers the arrangements for continued employment of and appropriate training for employees who become disabled whilst working at the Company

ITV is an active participant in the major diversity forums Through these and direct activities undertaken by ITV regionally and nationally, the Company is committed to working towards achieving a workforce fully reflecting the audiences it serves The table on page 29 gives further information on ITV's workplace profile

Communication
ITV recognises that creating an effective workplace requires free circulation of information at all levels across the Company Employees are kept informed about significant business issues and the Group's performance using emails, the Company intranet – The Watercooler – and open forums with members of the Management Board at each main location Regular monthly leadership breakfasts are held for senior management, who are asked to cascade the information to their teams The Watercooler also provides a platform on which employees can interact, discuss current corporate issues and register any matters of concern

The Company has a framework for consultation and information-sharing, under which Communication Groups on each ITV site are responsible for maintaining a regular two way dialogue with management on all issues concerning employees

Health and Safety
The health and safety (H&S) of employees, contractors and visitors at ITV is always a high priority A management system has been developed by the internal H&S team to meet the specific risk profile of the business and is supported by a comprehensive training programme H&S is communicated throughout the organisation by a network of local Committees, who report to the ITV H&S Steering Group The table on page 29 gives further information on ITV's H&S statistics

Customers

Our key customers are our viewers, our advertisers and other broadcasters

The heart of our business lies in delivering first-rate content to viewers, either directly via our family of channels, or via the sale of our content

To understand ITV viewers and their expectations of us more fully, throughout 2009 we continued to commission an independent research company to recruit and survey our Vision Panel – a fully representative panel of 10,000 adult television viewers – and a smaller independent panel, My Digital Life, to obtain feedback from the online market This enables ITV to measure audience reaction to our programmes and content on a daily basis and to achieve an in-depth understanding of viewer reaction and preferences It also allows ITV to ask regular questions about the family of digital channels, using the panel to test new ideas and to find out people's views on broader media issues The success of the research has led it to be used by a wide range of areas within the business In 2009 for the first time it was used to help develop programme-related merchandising opportunities

Viewers must be confident about the quality and appropriateness of ITV's content and scheduling ITV observes the 9 00 pm watershed and alerts viewers to material that may cause offence via announcements immediately before relevant programming ITV has detailed compliance processes and an in-house compliance team that provides support and advice for programme makers and commissioners before and during production ITV maintains a responsive complaints handling service via ITV's Viewer Services team, and viewers can raise any issues directly with Ofcom In 2009, 797 ITV programmes were complained about to Ofcom, compared to 1,026 in 2008, and 13 Ofcom adjudications found breaches compared to 16 in 2008

The relationship with advertisers is essential to drive advertising revenues ITV continues to build close relationships with the advertisers and agencies, to gain a better understanding of their objectives and to enable ITV to meet those needs more efficiently and effectively

ITV Studios has supplied programming to broadcasters and commissioners worldwide The business works closely with its partners to produce and supply the highest quality content, which is commercially appealing and rewarding

Suppliers

ITV conducts business with a large variety of suppliers and believes that its terms are considered fair and reasonable To ensure ITV contracts with responsible suppliers, environmental and health and safety questionnaires are required to be completed as part of all tender processes A green and sustainable procurement agenda will continue to be a key focus for the centralised procurement team

Procurement plays a significant role in driving corporate performance A significant transformation within the function and better accounting systems have enabled ITV's procurement function to be integrated more effectively into the way ITV conducts its business Procurement manages spending along category lines enabling it to manage spend more effectively There are central contracts in place for technology, broadcast, production and marketing spend, with local deals only being used where a justification has been agreed

ITV has a variety of suppliers who are key to the business A number of the Company's major suppliers are involved in the broadcast of ITV's family of channels and include Arqiva, TNS, SES Astra and BT Key suppliers of programming and broadcasting programme rights include ITN, who provides ITV's national news programmes, Fremantle who produce Britain's Got Talent and The X Factor for ITV1, the Football Association and NBC Universal Studios ITV has recently signed a five year outsourcing contract with Accenture for them to provide ITV with technology operations and support services Services will be transitioned to Accenture during 2010 ITV ensures close engagement with these suppliers and seeks to manage the risks involved in the reliance upon them, where possible holding long-term contracts Other key suppliers include those who provide the technology for outside broadcast, for example 021 Television and SIS ITV has de-risked its exposure to these suppliers by moving away from reliance on a single partner

Community

ITV is committed to engaging viewers across the country on issues that affect their lives and have an impact on the community in which they live Both on and off-screen, ITV's network and regional teams play an important role in initiatives which seek to encourage individuals to improve their lives, support community projects or promote integration of minority groups within their region

In 2009 ITV was an active partner in the cross-industry and government campaign to improve the nation's health and fitness As a founding member of the Business4Life movement, ITV supported the Change4Life campaign both on-screen and online by launching The Feelgood Factor This initiative involved network and regional programming with a focus on helping viewers make positive changes to achieve a healthier lifestyle for themselves and their families

In 2009 the ITV regional news programmes across the UK helped give away £3.5 million of lottery funding in the People's Millions competition. Around 70 community projects received awards of up to £50,000 from the Big Lottery Fund. Now in its fifth year, the People's Millions competition within regional news programmes has helped give away more than £21 million with hundreds of good causes benefiting as a result.

ITV engages in Diversity and Disability initiatives including our award-winning in-house signing facility, Signpost, which provides online signing services, news, information, entertainment and education in and about sign language. In 2009, Signpost won a national RADAR Award – the Disability Network's People of the Year Awards for 'Doing it Differently'.

Environment

Careful management of environmental matters is a priority for ITV. During 2009, ITV undertook a range of activities as part of our environmental management programme, such as supply chain and carbon management.

ITV continued to measure and monitor its carbon footprint and environmental impact during 2009. The reshaping of the business during the year, coupled with the ongoing focus on resource management, has led to a reduction in both the consumption of water and the size of the carbon footprint of certain parts of the business. This decrease reflects changes in the property profile of the Company and changing operational practices.

Environmental legislation continues to evolve and ITV has procedures in place to ensure new regulatory requirements are identified, understood and proactively managed. ITV is preparing to meet the regulatory requirements of the CRC Energy Efficiency Scheme. A cross business working group has been established to manage both the risks and opportunities presented by the requirements. In preparation for this legislation ITV has identified a wide range of organisational responses.

ITV continues to operate an innovative waste management contract with an external organisation that encourages waste reduction and the recycling of materials. This contractual arrangement has been in place since 2008 and the work associated with it has been recognised with ITV winning a Corporate Responsibility Award from the Management Consultancy Association. During 2009 ITV saw an increase in the percentage of waste that was diverted from landfill and instead sent for recycling.

Donations

The Company made contributions to charities and equivalent organisations amounting to £2 million (2008: £2 million) in cash and £10 million (2008: £5 million) in kind, totalling £12 million (2008: £7 million). Further details will be set out in our Corporate Responsibility report.

It is the Company's policy not to make cash contributions to any political party. However, within the normal activities of the Group's national and regional news gathering operations there are occasions when activity may fall within the wide definition of political expenditure contained in the Companies Act 2006. Shareholder authority for such expenditure was given at the Annual General Meeting in 2009 and a similar resolution will be proposed at the 2010 Annual General Meeting. During the year the Group made no payments falling within the definition of political expenditure (2008: £7,968).

Corporate Responsibility

ITV recognises the importance of Corporate Responsibility. Full details on ITV's Corporate Responsibility objectives and activities will be set out in the separate Corporate Responsibility report available on the Company's website, www.itvplc.com. The table below provides a summary of performance against key Corporate Responsibility performance indicators.

	2009	2008
Protecting the environment[1]		
CO_2 emissions from business travel (tonnes)[2]	**6,831**	5,867
Total CO_2 emissions (tonnes)[2]	**46,383**	50,471
Total waste (tonnes)	**2,195**	1,900
Total waste recycled	**65%**	36%
Total water use (m^3)	**86,656**	93,175
Workplace profile (%)		
Female employees	**48.2**	49.0
Ethnic minority employees[3]	**9.1**	9.0
Employees with a disability[4]	**3.1**	2.0
Employees aged over 50	**12.9**	15.0
Health and Safety[5]		
Accidents requiring more than three days off work	**6**	5
Major accidents	**5**	2
Fatal accidents	**0**	0
Access Services for ITV1 (% of programmes)		
Subtitling	**94.5**	95.5
Audio description	**17.3**	13.2
Signing	**5.6**	5.3

(1) UK only, including landlord managed sites. Assistance with data compilation by Mason Hardy Ltd.
(2) Calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol methodology.
(3) Percentage of those who disclosed their ethnicity.
(4) Percentage of those who disclosed their disability.
(5) Staff accidents excluding contractors.

Risks and uncertainties

ITV operates in a market which is being transformed by digital technologies. The broader economic environment is also uncertain. In addition, ITV is subject to regulatory risk.

The Company works hard to identify and manage the major risks to which the business is subject across all areas and including both financial and reputational risks

ITV employs an Enterprise-wide Risk Management (ERM) programme in order to identify and monitor major risks impacting the business and in order to ensure that these risks are appropriately managed with adequate mitigating actions in place The risk factors below were identified as most significant from the 2009 ERM programme

These risks do not necessarily comprise all the major risks to which ITV is subject and they are not set out in any order of priority The business may be subject to risks and uncertainties which are not known to ITV or which are currently judged to be immaterial

Further details on governance arrangements by which risks and uncertainties are monitored and managed are set out in the Audit Committee report

Group

Risk description	Impact	Mitigation
Strategy execution		
ITV needs to deliver the three core objectives set out in response to the downturn – and to develop its strategy for long term growth	– Loss of market share – Reduction in EBITA before exceptional items – Deterioration in cash flows	– Strategy review launched in early 2010 will produce clear plans for delivery of strategic objectives across all relevant areas – Regular review of progress against plans
Structural risk		
With the media market undergoing rapid structural change and new platforms and technologies constantly developing, ITV needs to ensure that broadcasting and content revenues and profits are not eroded	– Reduction in television advertising revenues – Reduction in EBITA before exceptional items	– Implementation of strategy to strengthen ITV's favoured platforms – Devising new products and services to take advantage of emerging opportunities
Market conditions		
As a business with a high reliance on cyclically-exposed television advertising revenues, ITV needs to adapt to any potential deterioration in economic and market conditions putting pressure on ITV's revenues, profits and cash flow	– Lower audience for ITV programming and channels – Loss of volume and share of impacts – Loss of television advertising market share	– Improving return on investment for programming spend – Ensuring appropriate composition and targeting of ITV's channel portfolio – Building strong customer relationships with agencies and advertisers
People		
ITV's success is critically dependent on its ability to attract and retain key people across the business at all levels on and off-screen	– Business underperformance – Reduced staff engagement	– Appropriate employment terms for on and off-screen talent – Investment in training and development – Staff surveys and communication programmes
Balance sheet		
In an uncertain economic context and a transforming media market, ITV requires a robust balance sheet, including pension obligations, in order to be able to respond to market opportunities and meet its long-term funding obligations	– Limited access to financing and reduced liquidity – Inability to fund potentially profitable investment opportunities – Diversion of cash flows to interest and pension payments	– Extending debt maturities to ensure no short-term liquidity pressure – Ensuring appropriate funding across debt and equity – Regular contributions to pension scheme and initiatives to address pension risk

Broadcasting & Online

Risk description	Impact	Mitigation
Maintaining performance		
To ensure that its channels' audience and advertising share are both maximised, ITV needs to sustain and improve the quality of its programming schedule, including by securing key externally produced programmes, and to optimise its sales performance	– Lower audience for ITV programming and channels – Loss of volume and share of impacts – Loss of television advertising market share – Loss of key externally supplied programming	– Improving return on investment for programming spend – Ensuring appropriate composition and targeting of ITV's channel portfolio – Building strong customer relationships with agencies and advertisers – Maintaining high level of internal commissions to reduce reliance on external producers
Compliance		
To deliver on its regulatory obligations and maintain the trust of its viewers and advertisers, ITV needs to meet compliance requirements applying to its broadcasting licences, in particular with respect to premium-rate telephone services	– Damage to the ITV brand – Lower audience commitment to ITV	– Appropriate compliance processes and management – Legal input into all business contracts – Reporting to Ofcom on airtime sales
Regulation		
In a context of rapid market change, ITV needs to ensure that inflexible regulation does not prevent the Company delivering economically viable deals with its suppliers, network partners and customers	– Lower audiences for ITV programming and channels – Loss of volume and share of impacts – Lower broadcast revenues	– Communicating to Government and regulator the case for regulatory reform – Extending broadcast revenue opportunities via appropriate regulatory reform – Managing remaining regulatory hurdles to minimise negative business impact

ITV Studios

Risk description	Impact	Mitigation
Rights ownership and exploitation		
With the Company's success critically dependent on its ability to develop valuable programming properties, ITV needs to sustain and exploit commercially a creative pipeline of new formats and original commissions	– Reduction in ITV Studios EBITA before exceptional items	– Ensure appropriate employment policies to attract and retain the best talent – Continue to build international production bases and wider broadcaster relationships – Exploit and extend existing critical mass of internal ITV commissions (e g via pilot deals)
Margin protection and growth		
With pressure on broadcasters' budgets, including ITV's own, delivering sustainable margins on production requires innovation with respect to funding models, management and cost	– Reduction in ITV Studios EBITA before exceptional items	– Development of co-production and co-development partnerships – Delivery of efficiency review savings targets – Exploitation of commercial opportunities beyond programming and format sales

Key Performance Indicators

ITV's Key Performance Indicators (KPIs) are used by the Company to assess its own performance against objective financial and non-financial criteria.

As detailed in last year's Annual Report, ITV has reviewed its KPIs to ensure that they reflect the focus of the business on cash and the balance sheet and on delivering public cost savings targets, as well as maintaining the core operating performance As a result, three new KPIs have been introduced for cash conversion, cost savings and for market share

Financial KPIs

ITV's financial KPIs provide yardsticks for assessing the financial performance of the Group overall and across its major business areas Further detail on ITV's financial performance can be found in the Operating and Financial reviews

Revenues and market share

	2009	2008
Total ITV revenues	**£1,879m**	£2,029m
ITV net advertising revenues	**£1,291m**	£1,425m
ITV share of UK television advertising market	**44 7%**	43 8%
ITV Studios revenue (including internal)	**£597m**	£622m
Online revenues (excluding Friends Reunited)	**£24m**	£18m

Total revenues declined by 7% in 2009, with a fall in television net advertising revenues (NAR) offset partially by an increase in external studios and online revenues

ITV NAR represents 69% of total ITV revenues In 2009, ITV NAR declined by 9% to £1,291 million Notwithstanding this decline, ITV substantially outperformed the wider UK television advertising market which suffered its sharpest decline on record, with revenues falling 11%

Television advertising market share has been added as a new financial KPI, reflecting the fact that wider market growth is not under ITV's control In 2009, ITV NAR represented 44 7% of the total UK market, compared to 43 8% the previous year

ITV Studios revenue is a KPI reflecting ITV's focus on increasing total revenues from external customers and internal commissions Total studios revenues were down 4%, with growth in international production offset by a significant reduction in UK production

Online revenues represent a further key focus for growth Reflecting its proposed disposal, Friends Reunited revenues have been excluded On this basis, online revenues – largely from itv com and video on demand deals – increased by 33% to £24 million

Profits, costs and cash

	2009	2008
Cost savings	**£169m**	–
EBITA before exceptional items	**£202m**	£211m
Adjusted earnings per share	**1 8p**	1 8p
'Profit to cash' conversion	**177%**	75%

Cost savings targets of £155 million were set out for 2009, as a key element in ITV's response to the economic downturn ITV met this target delivering £169 million of savings over the year

Earnings before interest, tax and amortisation (EBITA) before exceptional items remains ITV's key profit indicator, reflecting more accurately the business performance of the Group in a consistent manner and in line with how the business is managed and measured on a day-to-day basis Despite a decline in Group revenues of £150 million, EBITA before exceptional items declined by only £9 million to £202 million, reflecting the impact of significant cost savings across the business

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 (see page 38) and prior period and other tax adjustments Adjusted earnings per share have remained at 1 8 pence, with the decline in EBITA before exceptional items offset by reduced losses from joint ventures and associates

'Profit to cash' conversion has been another key focus in 2009 and has therefore been included as a KPI ITV is seeking to maximise the proportion of 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 – see page 39) In 2009, with a significant positive working capital movement, adjusted cash represented 177% of EBITA before exceptional items, compared to 75% in 2008 ITV is seeking to keep this 'profit to cash' conversion ratio as high as possible – and in excess of 90% on a rolling three year basis – going forward

Non-financial KPIs

ITV's non-financial KPIs provide metrics for assessing the underlying operating performance of the Group Whilst success against each of these measures may not immediately be reflected in ITV's financial performance, each is critical to the Group's delivery of sustainable long-term success A number of non-financial KPIs reflect ITV's performance with respect to audiences of its channels and online

Audience and reach

	2009	2008
ITV channels' share of commercial impacts	**40 0%**	41 0%
ITV1 volume of commercial impacts	**232 bn**	236 bn
ITV1 brand health	**31%**	34%

ITV channels' share of commercial impacts represent the proportion of all UK viewings of 30-second television commercials accounted for by ITV channels In 2009, ITV delivered a 40 0% share of commercial impacts Towards the end of the year in particular, ITV channels delivered a very strong performance, with family SOCI running at 41 8% over the fourth quarter

ITV1 adult impact volume represents the absolute number of viewings of commercials generated by ITV1 and reflects ITV's focus on maintaining the reach of the UK's largest commercial channel In 2009, ITV1 delivered 232 billion adult impacts, down 2% on the previous year

ITV1 brand health reflects the outcome of a regular survey of viewers' association between ITV1 and the drivers of television viewing Over and above ITV1's retrospective viewing performance, brand health allows the long-term strength of ITV's key channel brand and its resonance with UK viewers to be tracked In 2009, ITV1's brand health score was 31% for the full year compared to 34% in the final quarter of 2008, when tracking commenced A full year-on-year comparison will be possible from 2010 and ITV continues to monitor this KPI closely

Staff engagement

	2009	2008
Staff engagement	**65%**	68%

Staff engagement tracks the proportion of respondents to the annual survey of all ITV staff agreeing that they have pride in their work, are proud to work for ITV and speak highly about ITV's products and services The 2009 survey showed a slight decrease in staff engagement year-on-year from 68% to 65% This was a year of substantial change, including a wide-ranging redundancy process and other difficult decisions reflecting the uncertain economic outlook The senior team is currently working on plans to drive a positive improvement in engagement with staff as part of the business plan in 2010

Strategy review

ITV is currently undertaking a strategic review As a result, there may be further revision of ITV's KPI framework during 2010 to ensure continuing consistency with the Company's core strategic objectives

Financial review

Having delivered targeted cost savings, generated more cash, improved the debt maturity profile and taken steps to reduce the pension risk, ITV has entered 2010 in better financial health.

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 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

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 (see page 37) 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)

Picture removed

Ian Griffiths
Group Finance Director

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 (see below)

Picture removed

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 (SOCI) the previous year For all adults, ITV1 SOCI 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 SOCI, 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)

Business review
Governance
Financial statements

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 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

The sections on pages 40, 41 and 42 regarding liquidity risk and going concern form part of the audited accounts See section 11 – 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

Graph removed

Graph removed

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

Graph removed

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

Signature removed

Ian Griffiths

Board of Directors

Picture removed

Archie Norman
Chairman

Appointment to the Board: 1 January 2010
Age: 55 (1 May 1954)
Committee membership Audit, Nomination (Chairman), Remuneration

External appointments
- Adviser to Wesfarmers Limited (2009)
- Deputy Chairman of Coles Group (2007)
- Chairman of HSS Hire Services Group (2007)
- Founder, Aurigo Management Partners LLP (2006)
- Senior Adviser to Lazard (2003)
- Trustee of Cystic Fibrosis Trust (2009)
- Governor, National Institute of Economic and Social Research (1997)

Previous experience
- Chairman of Energis (2002–2005)
- Member of Parliament (1997–2005) Chief Executive and Deputy Chairman of the Conservative Party (1998–1999), Shadow Minister for Europe (1999–2000), Shadow Secretary of State for Department of Environment, Transport and the Regions (2000–2001), Founder, Policy Exchange (2001)
- Chief Executive (1991–1996) and Chairman (1996–1999) of ASDA Group plc
- Finance Director of Kingfisher plc (1986–1991)
- Chairman of Chartwell Land plc (1987–1991)
- Non-executive director of British Rail (1992–1994), Railtrack plc (1994–2000), and Geest plc (1988–1991)
- Partner, McKinsey and Co (1979–1986)

Qualifications MA, MBA

Picture removed

Mike Clasper CBE
Senior Independent Director

Appointment to the Board 3 January 2006
Age: 56 (21 April 1953)
Committee membership Audit, Nomination, Remuneration

External appointments.
- Chairman of Which? Ltd (2008)
- Chairman of HM Revenue & Customs (2008)
- Chairman of West London Consortium (2006)

Previous experience
- Member of the Investor Board of EMI Group (2007–2008)
- Operational Managing Director of Terra Firma (2008)
- Member of the National Employment Panel (2006–2008)
- Founder member, Corporate Leaders Group on Climate Change
- Chief Executive (2003–2006) and Deputy Chief Executive (2001–2003) of BAA plc
- President of Global Home Care, Procter & Gamble (1999–2001)

Qualifications. MA

Picture removed

Andy Haste
Non-executive director

Appointment to the Board: 11 August 2008
Age 48 (1 January 1962)
Committee membership Nomination, Remuneration

External appointments:
Group Chief Executive of RSA Insurance Group plc (2003)

Previous experience
- Chief Executive of AXA Sun Life plc (1999–2003)
- Director of AXA UK plc (life and pensions) (1999–2003)
- President and CEO, GE Capital Global Consumer Finance UK, Western Europe and Eastern Europe (1998–1999)
- CEO of GE Capital Global Consumer Finance UK (1996–1998)
- President of National Westminster Bank US Consumer Credit Business (1995–1996), Senior Vice-President and Head of US Consumer Loan Products Division (1992–1995)

Picture removed

Rupert Howell
Managing Director, ITV Brand and Commercial

Appointment to the Board 28 February 2008, joined the Group in 2007
Age 53 (6 February 1957)
Committee membership General Purpose

External appointments.
- Director of the Advertising Association (2007)
- Trustee, The Media Trust (2008)

Previous experience
- President, EMEA and Chairman, UK and Ireland Group (2003–2007), Regional Director, EMEA (2006–2007) of McCann Erickson UK Group Limited
- President of the European Association of Communications Agencies (2006–2007)
- Chief Executive of Chime Communications plc (1997–2002)
- Founder, Howell Henry Chaldecott Lury (1987–1997)
- Director of the Institute of Practitioners in Advertising (1992–2000), President (2000–2001)

Qualifications: BSc Management Sciences, FIPA

The particulars above relate to directors in office at the date of this report. For a full list of directors who served during the year, please see page 48. Details of their interests in shares and share schemes are set out in the Remuneration report.

Picture removed

John Cresswell
Interim Chief Executive

Picture removed

Ian Griffiths
Group Finance Director

Appointment to the Board: 16 January 2006, joined the Group in 2000
Age: 48 (2 May 1961)
Committee membership: General Purpose

Previous experience
- Finance Director (2006–2008), Interim Chief Executive (2006–2007) and Chief Operating Officer (2005–2006) of ITV plc
- Chief Operating Officer of Granada Content (2004–2005)
- Non-executive director of The Liverpool Football Club and Athletic Grounds plc (2003–2007)
- Chief Operating Officer and Finance Director (2001–2004) and Director of Operations (2000–2001) of Granada Content
- Chief Operating Officer (1998–2000) and Finance Director (1996–1998) of United Broadcasting and Entertainment Limited
- Finance Director of Meridian Broadcasting Limited (1993–1995)

Qualifications: BSc, ACA

Appointment to the Board: 9 September 2008
Age: 43 (26 September 1966)
Committee membership: General Purpose

Previous experience
- Group Finance Director of Emap plc (2005–2008)
- Senior finance roles held within Emap plc including Director of Financial Control (2000–2005) and Head of Finance at Emap Business Communications (1995–2000)
- Manager in audit and corporate finance, Ernst & Young (1988–1994)

Qualifications: MA, ACA

Picture removed

John Ormerod
Non-executive director

Picture removed

Baroness Usha Prashar CBE
Non-executive director

Appointment to the Board: 18 January 2008
Age: 61 (9 February 1949)
Committee membership: Audit (Chairman), Nomination, Remuneration

External appointments:
- Deputy Chairman and Chairman of audit committee of Tribal Group plc (2009)
- Non-executive director and Chairman of audit committee of Computacenter plc (2007) and Gemalto NV (2006)
- Non-executive director and Chairman of Merlin Claims Services Holdings Limited (2007)
- Trustee of The Design Museum (2006)
- Senior Independent Director and Chairman of audit committee of Misys plc (2005)

Previous experience:
- Non-executive director of Negative Equity Protection Holdings Limited (2007–2009), Millen Group Limited (2007–2009) and BMS Associates Limited (2004–2008)
- Member of audit and retail risk control committees of HBOS plc (2004–2008)
- Trustee of The Roundhouse Trust (2003–2008)
- Chairman of Walbrook Group (2004–2007)
- Chairman of audit committee of Transport for London (2004–2006)
- Practice senior partner, London, Deloitte & Touche (2002–2004)
- Regional managing partner, UK and Ireland and senior partner, UK, Arthur Andersen (2001–2002)

Qualifications: MA, FCA

Appointment to the Board: 7 February 2005
Age: 61 (29 June 1948)
Committee membership: Nomination, Remuneration (Chairman)

External appointments:
- Committee Member of the Iraq Inquiry (2009)
- Chairman of the Judicial Appointments Commission (2005)

Previous experience:
- Non-executive director of the Cabinet Office (2006–2009)
- Chairman of the Royal Commonwealth Society (2002–2008)
- Chancellor of De Montfort University (1996–2006)
- First Civil Service Commissioner (2000–2005)
- Non-executive director of Unite Group plc (2001–2004) and Channel Four Television Corporation (1992–1999)
- Chairman of the National Literacy Trust (2000–2005)
- Member of the BBC Educational Broadcasting Council (1987–1988), the Arts Council of Great Britain (1994–1997) and the Council Royal Holloway College London (1992–1997)
- Trustee of BBC World Service Trust (2002–2005)
- Chairman of the Parole Board for England and Wales (1997–2000)

Qualifications: BA, Diploma in Social Administration

Corporate Governance

ITV plc is subject to the requirements of the Combined Code on Corporate Governance adopted by the Financial Reporting Council (the Code) and seeks to comply with the voting guidelines of major institutional investors where appropriate This report describes how the Company has applied the main principles set out in section 1 of the Code and is split into the following five sections:

- The Board,
- Conflicts of interest,
- Board effectiveness,
- Relations with shareholders, and
- How the Board operates.

The Board considers that the Company has complied with the provisions of the Code with the following exceptions

- Michael Grade was Executive Chairman until 31 December 2009, contrary to Code provision A.2 1 Following the appointment of Archie Norman as non-executive Chairman and John Cresswell as Interim Chief Executive with effect from 1 January 2010, the Company now complies with this provision
- Archie Norman was appointed a member of the Audit Committee on 2 February 2010 This is to enable the Committee to remain quorate until Andy Haste is able to take up membership later in the year At this point Archie Norman will resign as a Committee member ensuring compliance with Code provision C 3 1

The Board

Composition and appointments

The composition of the Board during 2009 is set out in the table on page 48

In April 2009 Michael Grade announced his intention to step down as Executive Chairman at the end of the year As a result, the Board commenced a search for a non-executive Chairman and a Chief Executive In November 2009 the Board announced that Archie Norman would take up the role of non-executive Chairman on 1 January 2010

On 28 January 2010, the Board made a further announcement that it had appointed Adam Crozier as the new Chief Executive, and that he would take up the role later in the year Until this time, John Cresswell will act as Interim Chief Executive Sir George Russell, Sir James Crosby, Heather Killen and Agnès Touraine stepped down from the Board with effect from 31 December 2009

The Board currently consists of three executive directors and five non-executive directors. Biographical details for each of the directors are set out on pages 44 and 45

Roles

A summary of the roles of each of the Chairman, the Chief Executive and the Senior Independent Director are shown in the table on the right. Full job descriptions have been agreed by the Board.

Role	Description
Chairman	Archie Norman's principal responsibilities are to – lead the Board, ensuring that it is effective in setting and implementing the Group's direction and strategy, and – act as the Company's leading representative for all key shareholders. The Board is satisfied that his other professional commitments do not interfere with the performance of his duties for the Company
Chief Executive	John Cresswell, as Interim Chief Executive, has responsibility for the performance of the Company's businesses, as dictated by the overall strategy agreed by the Board
Senior Independent Director	Mike Clasper's principal responsibilities are to – act as Chairman of the Board when the Chairman is conflicted, – act as a conduit to the Board for the communication of shareholder concerns when other channels are inappropriate, and – ensure that the Chairman is provided with effective performance feedback.

Tenure

All directors are required by the Company's Articles of Association to be elected by shareholders at the first Annual General Meeting (AGM) following their appointment by the Board Subsequently, all directors are subject to re-election by shareholders at least every three years. Archie Norman, who has a contract of service with the Company, will be seeking election at the AGM on 7 May 2010

Outside appointments

With the approval of the Board, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them Details of fees received by executive directors during 2009 can be found in the Remuneration report

Non-executive directors

The Board considers each of its current non-executive directors to be independent in both character and judgement. They constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The Board also considers that the non-executive directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making

Terms of engagement: non-executive directors all have a contract of service, and are appointed for an initial period of three years. At the third anniversary of appointment the director will discuss with the Board whether it is appropriate for a further term to be served, subject to the Board succession planning framework which provides that any further term may be adjusted in length should that be in the interests of an orderly succession of non-executive directors to the Board The re-appointment of directors who have served for more than nine years will be subject to annual review

Mike Clasper completed three years as a non-executive director in January 2009 It was agreed that he should serve a further term subject to the Board succession planning framework.

Time commitment: non-executive directors are expected to commit 18 to 20 days per annum. This includes attendance at Board meetings, Board committee meetings, the AGM, and an annual strategy away day The Board is satisfied that each of the non-executive directors commits sufficient time to the business of the Company

Professional advice and Board support

Directors are given access to independent professional advice at the Company's expense when the directors deem it necessary in order for them to carry out their responsibilities. The directors also have access to the advice and services of the Company Secretary, who acts as secretary to the Board, and Group Secretariat who ensure that board processes and corporate governance practices are followed.

Insurance and indemnities

The Company maintains liability insurance for its directors and officers with a cover limit of £75 million which is renewed on an annual basis. The Company has also entered into deeds of indemnity with its directors.

Conflicts of interest

The Board is authorised to approve conflicts. It has delegated the authorisation of conflicts to the Nomination Committee and adopted a conflicts of interest policy.

The policy outlines how conflicts will be dealt with and the process for directors to follow when notifying the Company of an actual or potential conflict. When deciding whether to authorise a conflict or potential conflict of interest, only those that have no interest in the matter under consideration will be able to take the relevant decision. In addition, the Nomination Committee will be able to impose limits or conditions when giving authorisation where appropriate.

The Board has considered in detail the current external appointments of the directors which may give rise to a situational conflict and has authorised potential conflicts where appropriate. This authorisation can be reviewed at any time but will always be subject to annual review. The Board is confident that these procedures operate effectively.

Board effectiveness

Performance evaluation

The Board has established a formal process for the annual evaluation of the performance of the Board, its committees, and individual directors (with particular attention given to those who are due for re-election) in accordance with the requirements of the Code. The directors are made aware on appointment that their performance will be subject to an annual evaluation and that a director would not be put up for re-election at an AGM unless the Chairman has decided that they continue to perform effectively and show commitment to the role.

Some of the actions taken during the year resulting from the 2008 evaluation include introducing more discussion on the corporate domain including the competitive and regulatory environment, giving more attention to stakeholder priorities and shareholder views, and reviewing the size and composition of the Board.

An internal evaluation of the effectiveness of the individual directors of the Board and its committees was carried out in 2009, led by the Senior Independent Director. The evaluation process included a confidential written questionnaire with questions covering a range of issues such as board structure, board processes, board roles and responsibilities, the Board's relationship with management, board agendas, committee processes, individual effectiveness, training and continuing professional development.

The results from the evaluation process were collated and passed to the Board for consideration. The review made the following suggestions, amongst others, for enhanced effectiveness:

- to simplify board reporting, ensuring that non-critical items are kept to a minimum allowing the Board to focus on key strategic and operational issues, and
- to focus on succession planning and leadership development.

The Board will review the recommendations and adopt new processes and procedures during the year as appropriate.

Induction and continuing professional development

The Company has a policy and programme for induction and continuing professional development. On appointment, each director takes part in a comprehensive induction programme where they:

- receive information about the Group in the form of presentations by executives from all parts of the business and on the regulatory environment,
- meet representatives of the Company's key advisers,
- receive information about the role of the Board and the matters reserved for its decision, the terms of reference and membership of board committees and the powers delegated to those committees;
- receive information about the Company's corporate governance practices and procedures and the latest financial information about the Group, and
- are advised of their legal and other duties and obligations as a director of a listed company.

This is supplemented by visits to key locations, including studios and regional sites, and meetings with key senior executives and with major shareholders where appropriate.

During their period in office, the directors are continually updated on the Group's businesses and the competitive and regulatory environments in which they operate. This is done through:

- regular updates on changes affecting the Group and the market in which it operates through written briefings and meetings with senior executives across the Group and from meetings with key advisers,
- regular updates on changes to the legal and governance requirements of the Group and in relation to their own position as directors, and
- presentations given before board meetings on business matters and technical update sessions from external advisers where appropriate.

The directors are expected to take responsibility for identifying their own professional development needs and to ensure that they are adequately informed about the Company and their responsibilities as directors.

Relations with shareholders

The Board attaches a high priority to effective communication with shareholders. In addition to the final and interim results presentations and the AGM, a series of meetings between institutional shareholders and senior management were held throughout 2009. In fulfilment of the obligations under the Code, the Chairman gave feedback to the Board on issues raised with him by major shareholders. This process will continue throughout 2010.

The Company maintains a corporate website containing a wide range of information of interest to institutional and private investors. The Company has frequent discussions with institutional shareholders on a range of issues affecting its performance both following the Company's announcements and in response to individual ad hoc requests.

Save in exceptional circumstances, all members of the Board will attend the AGM and shareholders are invited to ask questions during the meeting and to meet with directors prior to and after the formal proceedings. At the meeting the Chairman will review the Group's current trading. Notice of the AGM, together with any related documents, is made available to shareholders on the Company's website or mailed to them, if they have elected to receive hard copies, at least 20 working days before the meeting. Separate resolutions are proposed on each substantially separate issue. At the meeting all resolutions are taken on a poll. The level of votes lodged on a resolution is made available on a regulatory information service and on the Company's website at www.itvplc.com.

The Company regularly seeks feedback on perception of the Company amongst its shareholders and the investor community more broadly via its corporate brokers. An independent Investor Audit was last undertaken in 2007 to assess investor and wider market perception of the Company. The Company is currently considering commissioning another review during 2010.

How the Board operates

Board meetings
The number of meetings held during the year and attendance of directors is set out in the table below Board members receive all papers tabled at meetings even if they are unable to attend The Board approves annually a schedule of matters to be considered at each meeting and at each meeting of its Committees.

Responsibility and delegation
Specific responsibilities are set out in a schedule of matters reserved to the Board These include

- setting long-term objectives and corporate strategy and approving an annual budget,
- approving major acquisitions,
- approving major divestments and capital expenditure,
- approving appointments to the Board,
- reviewing systems of internal control and risk management, and
- approving policies relating to directors' remuneration

Board Committees
The Board has delegated certain responsibilities to the committees detailed on the following pages. The terms of reference for each committee are reviewed annually and the current versions are available on the Company's website at www itvplc.com

Audit Committee: see the report of the Audit Committee on page 50

Disclosure Committee: the Disclosure Committee comprises certain senior management of the Company. The function of the Committee, in accordance with the Company's Inside Information Policy, is to ensure compliance with continuing obligations under the Disclosure and Transparency Rules and the Listing Rules through the timely public disclosure of material information

General Purpose Committee: the General Purpose Committee (formerly the Management Committee) comprises the executive directors. The Committee meets as required to conduct the Company's business within the clearly defined limits delegated by the Board and subject to those matters reserved to the Board

Nomination Committee: see the Nomination Committee section on page 49

Remuneration Committee: see the Remuneration report on page 53

Board and Committee membership, and attendance at meetings in 2009

				Attendance in 2009				
	Status	Date of appointment to Board	Date of resignation from Board and Committees	Board	Audit Committee	Nomination Committee	Remuneration Committee	Strategy day
				8	6	2[2]	5	1
Current directors								
Mike Clasper	Independent	3 January 2006		8	6	2	–	1
John Cresswell	Executive	16 January 2006		8	–	–	–	1
Ian Griffiths	Executive	9 September 2008		8	–	–	–	1
Andy Haste	Independent	11 August 2008		8	–	1	4	1
Rupert Howell	Executive	28 February 2008		8	–	–	–	1
Archie Norman	Independent[1]	1 January 2010		–	–	–	–	–
John Ormerod	Independent	18 January 2008		8	6	2	–	1
Baroness Usha Prashar	Independent	7 February 2005		7	–	2	5	1
Directors who stepped down in the year								
Sir James Crosby	Independent	3 December 2003	31 December 2009	7	–	2	5	–
Michael Grade	Executive	8 January 2007	31 December 2009	8	–	–	–	1
Heather Killen	Independent	8 August 2007	31 December 2009	8	–	2	5	1
Sir George Russell	Independent	2 December 2003	31 December 2009	8	6	2	–	1
Agnès Touraine	Independent	8 August 2007	31 December 2009	8	6	2	–	1

Notes:
(1) Independent on appointment to the Board.
(2) A number of additional Nomination Committee meetings were held in 2009 to discuss changes to the composition of the Board.
(3) Non-attendance has been due to illness or unavoidable prior commitments.

Nomination Committee
The Committee is comprised entirely of non-executive directors. The current members are

- Archie Norman (Chairman) (appointed 1 January 2010)
- Mike Clasper
- Andy Haste
- John Ormerod
- Baroness Usha Prashar

Sir James Crosby served as Chairman of the Committee until he stepped down from the Board on 31 December 2009 and Archie Norman took over as Chairman with effect from 1 January 2010 Heather Killen, Sir George Russell and Agnès Touraine also served on the Committee during the year until they stepped down from the Board on 31 December 2009 Full details of attendance at Committee meetings can be found in the table on page 48

Role: the role of the Committee is to

- review the structure, size and composition of the Board,
- identify and nominate for board approval, candidates to fill board vacancies;
- evaluate the balance of skills, knowledge and experience on the Board,
- consider succession planning for directors and other senior executives, and
- consider any conflicts of interest that may be reported by directors of the Company

Activities in 2009: the Committee focused on succession planning for the Board The objectives of the succession planning framework are to ensure:

- board tenure is appropriate and encourages fresh thinking and new ideas,
- the Board has the appropriate mix of generalist and specialist skills for the Company's changing requirements, and
- non-executive directors have the appropriate level of independence, from the executive directors and from each other

Following Michael Grade's announcement of his intention to step down as Executive Chairman, the Committee commenced a search for a Chief Executive and a non-executive Chairman with the help of a professional search firm Archie Norman was appointed Chairman with effect from 1 January 2010, and Adam Crozier will take up the position of Chief Executive on 26 April 2010

The Committee will continue to review succession planning for key executives throughout the Group in 2010 to ensure an appropriate framework is in place

Audit Committee report

Dear Shareholder,

On the following pages we set out the Audit Committee's report for 2009 The report comprises four sections:

- Committee overview;
- Activities in 2009,
- Auditor's independence and objectivity, and
- Internal control

Throughout 2009 the Audit Committee (the Committee) continued to monitor the integrity of the financial statements of the Company, to assist the Board in reviewing the effectiveness of the Company's internal control and risk management systems, and to review arrangements for its employees to raise concerns in confidence

The Committee has also been responsible for reviewing the effectiveness of the Company's internal audit function and making recommendations to the Board in relation to the re-appointment and remuneration of the Company's external auditor

The Committee works to a structured programme of activities with agenda items focused to coincide with key events of the annual financial reporting cycle, together with standing items that the Committee is required to consider regularly

This report has been written to give a full description of our activities in 2009

John Ormerod
Chairman, Audit Committee
3 March 2010

Committee overview

Composition

The Committee is comprised entirely of non-executive directors. The current members are

- John Ormerod (Chairman)
- Mike Clasper
- Archie Norman (appointed 2 February 2010)

Mike Clasper served as Chairman of the Committee throughout 2009 In view of his role as Chairman of HMRC, discussions relating to the Company's tax position were chaired by John Ormerod Following Mike Clasper's appointment as Senior Independent Director, John Ormerod took over as Chairman with effect from 1 January 2010 Archie Norman will only serve as a member of the Committee until Andy Haste is able to take up membership later in the year, in order to ensure the Committee remains quorate

Agnès Touraine and Sir George Russell served on the Committee during the year until they stepped down from the Board on 31 December 2009 Full details of attendance at Committee meetings can be found in the table on page 48

The Code requires the Board to be satisfied that at least one member of the Committee has recent and relevant financial experience The Board considered this requirement during 2009, and concluded that the wide range of business and financial experience of the Committee members as a whole, gained at the highest level of UK FTSE 100 companies and other blue-chip organisations, was sufficient to enable the Committee to fulfil its terms of reference in a robust and independent manner Biographical details of the members of the Committee including their qualifications are set out on pages 44 and 45

At the invitation of the Chairman of the Committee, the Chief Executive, Group Finance Director, Group Financial Controller, Head of Internal Audit and representatives of senior management regularly attend Committee meetings. The Committee as a whole has the opportunity to meet privately with the internal and external auditors prior to meetings as required

Role

The role of the Committee is to

- monitor the integrity of the consolidated and parent company financial statements,
- review the effectiveness of the Group's internal control and risk management systems,
- review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters,
- monitor and review the effectiveness of the Group's internal audit function, and
- consider and make recommendations to the Board in relation to the appointment, re-appointment, replacement and remuneration of the Company's external auditor

Activities in 2009

The Committee's activities during the year included

- reviewing the Group's financial statements (including detailed disclosures) prior to board approval,
- reviewing the appropriateness of the Group's accounting policies and considering related accounting treatments in specific areas such as revenue recognition,
- reviewing and approving the annual external audit process, the external auditors strategy and plan for the audit, considering the findings of that work and confirming that all significant matters had been satisfactorily resolved,
- reviewing the management letter arising from the 2008 year-end external audit,
- monitoring regularly the non audit services being provided to the Group by its external auditor The Committee has approved a formal policy governing the independence of the Company's external auditors and defining those non-audit services that may be provided to the Group, including those which require the prior approval of the Committee This is explained further in the Auditor's independence and objectivity section below;
- undertaking a review of the internal audit function, its plan and resources available The internal audit plan is constructed by taking a risk based approach, encompassing financial, reputation, and broader macro-economic risks, with the review cycle designed such that financially material operations and areas of significant change are reviewed in a given year, with all activities reviewed at least once every three years. A decision was taken during the year to use external third parties to provide internal audit services in order to take advantage of the specialist resources available through use of consultants, and Deloitte were appointed to provide such services,
- considering internal audit reports, the actions taken to implement the recommendations made in those reports and the status of progress against previously agreed actions,
- reviewing the results of the Enterprise-wide Risk Management process, including consideration of a rolling programme of risk and internal control presentations made by each operating team and central service functions,
- continuing to monitor the implementation of the integrated finance processes and system,
- reviewing the Group's technology function, resulting in a decision to outsource this area in 2010 resulting in further cost savings and efficiencies,
- reviewing the analysis supporting the carrying value of goodwill before consideration by the Board,
- reviewing the Group's cash flow forecasts and facilities to support the going concern statement in the annual report before consideration by the Board The going concern statement is contained in the Financial review on page 42,
- reviewing the effectiveness of the whistleblowing process through which the employees may, in confidence, raise concerns;
- considering regulatory and professional developments in respect of financial accounting and reporting; and
- receiving reports from the Treasury department on their activities.

Auditor's independence and objectivity

The Committee regularly monitors the other services being provided to the Group by its external auditor, and has developed a formal policy to ensure this does not impair their independence or objectivity which is available in full on the Company's website at www.itvplc.com.

The policy is based on the five key principles which underpin the provision of other services by the external auditor These are that the auditor should not:

- audit its own firm's work,
- make management decisions for the Group,
- have a mutuality of financial interest with the Group,
- develop a close personal relationship with the employees of the Group, or
- be put in the role of advocate for the Group

The Committee has pre-approved the categories of other services that may be performed by the external auditors and explicitly set out the categories of work that they may not perform For this purpose auditing the accounts of subsidiaries and associates pursuant to legislation and other services provided pursuant to legislation are regarded as audit services.

The policy sets a 1 1 ratio for the annual split between audit and other fees charged by the external auditor Although the Committee believes that awareness of the 1 1 ratio is important, it is also of the view this should not act as a hard ceiling on non-audit fees but as a guide that may be exceeded from time to time to ensure flexibility so that the Company receives the best and most appropriate advice Non-audit services will be subject to market tenders or tests and will be awarded to the most appropriate provider Approval is required from the Committee Chairman for any engagement of the external auditor where the fee is likely to be in excess of £0 1 million A report on the level of non-audit work is provided to the Committee half-yearly Details of the related audit and other services are set out in note 4 of the consolidated financial statements.

The Committee performs a specific evaluation of the performance of the external auditors annually, through assessment of the results of questionnaires completed by relevant senior management in addition to committee members' own views of auditor performance It is the Company's policy to carry out regular market testing either through benchmarking or a form of audit tender

During the year the Committee considered the tenure, performance and audit fees of the external auditor, and the level of non-audit work undertaken, and recommended to the Board that a resolution for the re-appointment of KPMG Audit Plc for a further year as the Company's auditor be proposed to shareholders at the AGM in May 2009 The resolution was passed and KPMG Audit Plc were re-appointed for a further year

Internal control

The Board has overall responsibility for the Group's systems of internal control and for regularly reviewing the effectiveness of those systems The Committee assists the Board in reviewing the Group's systems of internal control The primary responsibility for the operation of these systems is delegated to management. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key control procedures are designed to manage rather than eliminate risk and can be summarised as follows:

- **Strategy and financial reporting:** the Group performs a comprehensive annual strategy review and budgeting process. The executive directors review budgets and strategies and the Board approves the overall Group budget as part of its normal responsibilities. The results of operating units are reported monthly, compared with their individual budgets and forecast figures and are reviewed.

- **Organisational structure and authorisation procedures:** the Group has an established organisational structure with clearly stated lines of responsibility and reporting Authorisation procedures in respect of matters such as purchase commitments, capital expenditure, investment limits and treasury transactions are clearly defined
- **Control environment:** financial controls and procedures are considered as part of the Group's ongoing risk assessment process and are reviewed as part of the Group's internal audit work programme
- **Risk assessment and management:** management is responsible for identifying the risks facing the Company's business and for establishing controls and procedures to monitor and mitigate those risks. As part of those controls and procedures, the Company has established an Enterprise-wide Risk Management (ERM) programme providing formal risk assessments. The ERM programme is co-ordinated through the Company's Risk department and the Internal Audit function provides the assurance role reporting to management, the Committee and the Board

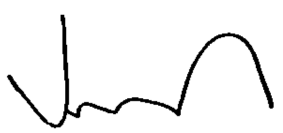
  The ERM programme is being embedded within operational processes and will help to identify new business opportunities as well as provide risk analysis for all new projects and businesses. The annual ERM programme cycle passes through a number of phases as it escalates through the business. The Committee receive presentations from senior management covering the risks of the operating units. Following such presentations and review, senior management carry out a further risk consolidation process and then present the Company's overall major risks to the Board for consideration of the top risks which are then disclosed in summary form within the published Report and accounts annually Details on the Company's key risks can be found on pages 30 and 31
- **Reviewing and monitoring the effectiveness of internal controls:** controls are monitored by senior management, Internal Audit and the Committee Directors of each business team are required annually to confirm compliance with internal control in their area. Serious control weaknesses (if any) are reported to the Board and actions taken as appropriate

The Committee is authorised by the Board to seek any information that it requires from any employee and to obtain, at the Company's expense, independent legal or professional advice on any matter within its terms of reference and to call any employee to be questioned at a meeting of the Committee as and when required. The Committee members are subject to the programme of continuing professional development that applies to the full board

The Board is required to review, at least annually, all material internal controls including financial, operational, and compliance controls and risk management systems. The Board has conducted a review of the effectiveness of the Group's systems of internal controls for the year ended 31 December 2009 In the opinion of the Board, the Company has complied with the internal control requirements of the Combined Code throughout the year, maintaining an ongoing process for identifying, evaluating and minimising risk.

Approval

The Audit Committee report was approved by the Board on 3 March 2010 and signed on its behalf by John Ormerod.



Remuneration report

Dear Shareholder,

On the following pages we set out the Remuneration report for 2009 The report comprises five sections.

- Committee overview;
- Remuneration policy,
- Delivering remuneration policy,
- Non-executive directors, and
- Detailed audited disclosures.

During the year, the Remuneration Committee (the Committee) has endeavoured to ensure that arrangements remain focused, relevant and aligned with the need to create shareholder value over the short, medium and long-term In taking decisions during 2009, the Committee has been mindful that the market in which the Company operates continues to be complex and challenging The Committee would encourage shareholders to note the following

- In considering the overall remuneration package for executive directors and senior executives of the Company (together the Senior Executive Group), the Committee looks to balance the need to attract and retain high quality talent with the need to be cost effective and to reward exceptional performance As a result, a significant proportion of the Senior Executive Group's remuneration is dependent on the achievement of stretching performance conditions that support the creation of shareholder value
- In relation to 2009 performance, the Committee believes that the level of bonus awards are a fair reflection of Company performance during the year and in particular reflect the efforts made by the Senior Executive Group to maintain operational progress across the core business, reduce ITV's cost base and manage cash and working capital, which have delivered strong financial results in a very challenging advertising market.
- In light of the current strategic review, we intend to undertake a full review of incentive plans during 2010 in consultation with major shareholders. The aim of the review will be to ensure incentive arrangements are strongly aligned with the priorities arising out of the strategic review and support the transformation of ITV

Further details are set out in full over the following pages.

Baroness Usha Prashar
Chairman, Remuneration Committee
3 March 2010

Committee overview

Composition
The Committee is comprised entirely of non-executive directors. The current members are

- Baroness Usha Prashar (Chairman)
- Mike Clasper (appointed 2 February 2010)
- Andy Haste
- Archie Norman (appointed 2 February 2010)
- John Ormerod (appointed 1 March 2010)

Sir James Crosby and Heather Killen served on the Committee during the year until they stepped down from the Board on 31 December 2009 Full details of attendance at Committee meetings can be found in the table on page 48

Role
The role of the Committee is to

- approve the remuneration strategy and policy for the Senior Executive Group,
- review the ongoing appropriateness and relevance of the remuneration policy; and
- approve the design of, and determine targets for, the Company's annual bonus arrangements and share incentive plans, and determine the level of awards made under them as they apply to the Senior Executive Group

The Committee also maintains an active dialogue with shareholder representatives.

Activities in 2009
The Committee's activities during the year included

- ensuring that decisions taken in respect of the Senior Executive Group's remuneration packages are sensitive to the activities being undertaken in the wider group, while also remaining appropriate in ITV's commercial environment,
- considering the terms of remuneration for the roles of Chairman and Chief Executive,
- agreeing performance targets in relation to the 2010 bonus, and
- agreeing remuneration packages for the Senior Executive Group and termination arrangements for those individuals whose employment ceased

Advisers
The Committee obtains advice from various sources in order to ensure it makes informed decisions. The Committee's main advisers are set out below, and certain executives and other external advisers are invited to attend as appropriate No individual is involved in decisions relating to their own remuneration.

Adviser	Area of advice
Andy Doyle, Group HR Director	Main internal adviser, provides updates on remuneration, employee relations and human resource issues affecting the Company.
Deloitte LLP*	Independent advisers on remuneration policy and the external remuneration environment, providing performance testing for LTIPs.
Lovells LLP	Legal matters.
Towers Watson	Salary benchmarking data.

*During the year Deloitte also provided the Group with tax and corporate finance advice under separate engagement terms.

Remuneration policy

As a company that operates in the particularly competitive media market, ITV aims to balance the need to attract and retain the high quality talent that is key to the Company's success with the need to be cost effective and to reward exceptional performance. The Committee has designed a remuneration policy which balances these factors, while also taking into account prevailing best practice and investor expectations.

In addition to the above, the remuneration policy for the Senior Executive Group is based on the following key principles:

- a significant proportion of remuneration should be tied to the achievement of specific stretching performance conditions which align remuneration with the creation of shareholder value;
- performance is measured over clearly specified time horizons, over the short, medium and long-term, and encourages executives to take action in line with the business strategy without taking excessive risks; and
- individuals should be rewarded for success and steps should be taken, within contractual obligations, to prevent rewards for failure. Payments to directors on termination will only reflect contractual obligations.

When developing remuneration policy, the Committee obtains advice from the key advisers outlined on page 53. The Committee also considers the wider context of the Group when taking decisions.

Components of reward

The reward package for the Senior Executive Group consists of a combination of fixed and variable elements intended to provide motivation and reward for short, medium and long-term performance and to retain key executives over the longer term. Each component is intended to fulfil a different function within the remuneration framework as set out in the table below. Details of how these components are delivered is set out in the Delivering remuneration policy section.

Components	Function
Fixed	
Base salary	To recognise the individual's skills and experience and provide a market competitive base reward
Pensions	To provide an opportunity for executives to build up an income for retirement.
Other benefits	To ensure remuneration is market competitive
Variable	
Short-term incentives	To incentivise and reward exceptional performance against financial and non-financial annual targets that deliver value to shareholders.
Long-term incentives	To drive sustained long-term performance that supports the creation of shareholder value

By way of illustration, the balance between the fixed and variable elements of the total remuneration package (excluding pension) for executive directors is illustrated in the charts below. The charts illustrate the mix at both target and maximum performance and show the typical delivery of remuneration through cash and shares, over the short and longer term. Broadly there is a 50:50 split between fixed and variable pay at target performance and a 25:75 split at maximum performance, showing the high proportion of performance-related pay that is 'at risk' in the total remuneration package.

Shareholder alignment

The Committee continues to recognise the importance of executive directors aligning their interests with shareholders through the commitment of a significant amount of their own investment capital. Shareholding guidelines are in place, which encourage executive directors to build up and hold ITV plc shares with a value equivalent to at least 100% of their salary within five years of appointment. Details of the executive directors' current personal shareholdings are shown on page 61.

Delivering remuneration policy

Base salary

Market positioning of base salary is approached on an individual basis, and the Committee takes account of robust salary surveys and an individual's skills before reaching its conclusions. The aim is for base salary to be set around market median, whilst recognising the need on occasion for an appropriate premium to attract superior talent.

Executive directors' base salaries are reviewed on an annual basis, effective from 1 January. In January 2010 the Company completed its annual pay review and concluded that there should be no increase in base salary for any ITV employees. This means the salaries of John Cresswell, Ian Griffiths and Rupert Howell have not increased since 2008.

The base salaries for the executive directors are set out in the emoluments table in the Detailed audited disclosures section.

Pensions

As with other companies, the form in which pension benefits are delivered has changed for ITV in recent years. Since 2002, the Company has been offering a defined contribution pension scheme to all new employees. The majority of the Senior Executive Group receive their pension through defined contribution pension arrangements. The executive directors' pension arrangements are set out on page 61.

Other benefits

Other benefits include private medical insurance and car related allowances which are offered where appropriate.

Short-term incentives

Annual incentives are provided for the Senior Executive Group through the ITV Annual Bonus Scheme (Bonus). The performance conditions that apply are set on an individual basis and are closely linked to the Company's corporate, financial and strategic priorities. The Bonus extends to all ITV employees, providing a comprehensive and fully integrated bonus framework which rewards all employees when ITV is successful.

The total Bonus opportunity for executive directors will not normally exceed 150% of a participant's annual salary. Typically half of any pre-tax Bonus award to the executive directors has been automatically deferred into restricted shares or nil-cost options under the Deferred Share Award Plan (DSA), vesting 12 and 24 months after the end of the financial year to which the Bonus relates. Participants have been able to elect to take the balance of the Bonus in cash or as further share awards under the DSA. The DSA does not provide for any form of matching award.

2009 Bonus: Bonus opportunities for the Senior Executive Group in 2009 were designed to focus on profit generation (EBITA before exceptional items), cost savings, the efficient management of cash (profit to cash conversion) and employee engagement, with stretching targets set at the start of the financial year. In addition, the Committee determined that 2009 Bonus awards may be scaled back if profits were below a threshold level. In early 2009, it was also the Committee's intention to make all awards wholly in the form of nil-cost options or restricted shares.

ITV's performance in 2009 in these key financial areas has been strong, particularly in a challenging advertising market. As set out in the Business review section, operational progress across the core business has been maintained, significant cost savings have resulted in profits being stabilised, and extensive efforts on cash conversion have resulted in improved cash and working capital management. As a result, all the financial targets set under the Bonus were met in full. The Committee has therefore determined that the 2009 Bonus awards will not be scaled back and believes the level of Bonus to be a fair reflection of the Company's performance during the year. For executive directors awards will be made in the typical way with half being deferred into restricted shares under the DSA and the balance in cash.

2010 Bonus: The Committee has set 2010 performance targets to ensure they are heavily weighted to corporate financial performance, and with a strong emphasis on ITV's strategic goals. In setting these targets, the Committee has determined there will be no Bonus awards made if the Company's profit is below a threshold level. In addition, the performance scales have been set such that maximum bonuses will only be paid for performance that is well above budgeted performance.

It is anticipated that awards made to the executive directors for 2010 performance will continue to be made partly in deferred shares and partly in cash. However, this may form part of the incentives review that will be undertaken during 2010.

Long-term incentives

The Committee keeps the Company's long-term incentive plans under regular review to ensure they remain appropriate in fulfilling their objectives and that the performance conditions continue to represent the best way to drive the creation of shareholder value.

The plans under which awards have been made to date, and are still outstanding, are:

- **Performance Share Plan:** this was the only long-term incentive used for awards made in 2009. Awards were made on 1 June 2009 after the cost savings review was completed, and were scaled back from historic levels to a maximum of 100% of salary. The performance conditions that apply to the 2009 awards are outlined in the table on page 56. The intention is to make awards under this plan in 2010.
- **Turnaround Plan:** no awards have been made under this plan since 2008. Awards in the form of nil-cost options were made to a number of key senior executives in 2007 and 2008 with a maximum value of up to 550% of the individual's salary. Individuals who received this award did not receive an award under the Company's other long-term incentive plans in 2007 or 2008.

  Up to 50% of the portion of the award subject to TSR (25% of the total award) was subject to performance over the three-year period to 31 December 2009. As the TSR condition was not met, 25% of the total award has lapsed. The balance will be tested at 31 December 2011.
- **Commitment Scheme:** no awards have been made under this scheme since 2006. John Cresswell is the only executive director with outstanding awards.

The table on page 56 outlines the key features of the above plans. The Company also operates an all employee Save As You Earn (SAYE) scheme. The executive directors' participation in this scheme are set out in the Detailed audited disclosures section.

In line with the Turnaround Plan (TP), a corresponding long-term cash-based incentive also exists for the wider employee population, not including participants in the TP, known as the Turnaround Incentive Opportunity, which is dependent on the same performance conditions.

Performance graph

The graph below shows the Total Shareholder Return (TSR) performance of the Company against the FTSE 100 and FTSE 250 index over the five year period to 31 December 2009. Both indices have been shown as the Company has been a constituent of both over the previous five years.

Summary of long-term incentive plans

<table>
<tr><th></th><th>Performance Share Plan
(PSP)</th><th>Turnaround Plan
(TP)</th><th>Commitment Scheme
(CS)</th></tr>
<tr><td>Co-investment requirements</td><td>None</td><td>Requirement to:
– acquire a number of shares with a value of up to 100% of salary within a specified period from date of grant; and
– hold the shares for the duration of the relevant performance period.</td><td>Requirement to:
– acquire a number of shares with a value of up to 300% of salary within a specified period from date of grant to receive a matching award comprised of either or both of a nil cost option and market value option each over a maximum of three times the number of shares committed; and
– hold the shares for the duration of the relevant performance period.</td></tr>
<tr><td>Performance period</td><td>– three years from the date of grant.</td><td>– 25% of total award – 1 January 2007 to 31 December 2009 (see page 55)
– 75% of total award – 1 January 2007 to 31 December 2011</td><td>– up to 50% of the matching award – three years from the date of grant.
– remainder – four years from the date of grant.</td></tr>
<tr><td>Performance conditions</td><td>75% TSR
– measured equally against two distinct comparator groups drawn from the FTSE 250 and a specific international industry peer group detailed in the notes on page 60.</td><td>50% TSR
– measured against a the customised FTSE 100 comparator group detailed in the notes on page 60 excluding certain industry sectors that are less relevant as a benchmark of performance.</td><td>100% TSR
– measured against the customised FTSE 100 comparator group detailed in the notes on page 60, excluding certain industry sectors that are less relevant as a benchmark of performance.</td></tr>
<tr><td></td><td>25% STRATEGIC
– measured in equal proportions against two strategic targets, which for awards made on 1 June 2009 were:
<table>
<tr><th>Strategic target</th><th>Threshold</th><th>Maximum</th></tr>
<tr><td>SOCI* (ITV Family)</td><td>36.6%</td><td>38.5%</td></tr>
<tr><td>EPS Growth</td><td>RPI +3%</td><td>RPI +5%</td></tr>
</table>
– Earnings Per Share (EPS) growth will be measured over the relevant three year financial period with EPS for the 2008 financial year as the base year</td><td>50% STRATEGIC
– measured in equal proportions against four strategic targets:
<table>
<tr><th>Strategic target</th><th>Threshold</th><th>Maximum</th></tr>
<tr><td>SOCI* (ITV Family)</td><td>36.6%</td><td>38.5%</td></tr>
<tr><td>Revenue growth</td><td>2% p.a.</td><td>5% p.a.</td></tr>
<tr><td>Adjusted EPS (in line with that reported in Group's financial statements)</td><td>8p</td><td>12p</td></tr>
<tr><td>Share price</td><td>£1.35</td><td>£2.25</td></tr>
</table>
– share price will be measured as an average over any 28 day period within the final three years of the TP</td><td></td></tr>
<tr><td>Vesting</td><td>75% TSR
– Below median – nil
– Median – nil
– Upper quartile – 100%
– Vesting will occur on a straight line basis in between.</td><td>50% TSR
– Below median – nil
– Median – 25%
– Upper quartile – 100%
– Vesting will occur on a straight line basis in between.</td><td>100% TSR
– Below median – nil
– Median – 25%
– Upper quartile – 100%
– Vesting will occur on a straight line basis in between.</td></tr>
<tr><td></td><td>25% STRATEGIC
– Threshold performance – 25% of the award relating to each target will vest
– Maximum performance – 100% of the award relating to each target will vest
– Vesting will occur on a straight line basis in between.</td><td>50% STRATEGIC
– Threshold performance – 25% of the award relating to each target will vest
– Maximum performance – 100% of the award relating to each target will vest
– Vesting will occur on a straight line basis in between.</td><td></td></tr>
<tr><td>Exercise period</td><td>– Once vested, awards can be exercised for 12 months.
– Any portion of the award that does not vest or is not exercised will lapse</td><td>– Once vested, awards can be exercised until 31 December 2012.
– Any portion of the award that does not vest or is not exercised by 31 December 2012 will lapse and the TP will terminate.</td><td>– Once vested, awards can be exercised for up to ten years from date of grant.
– Any portion of the award that does not vest or is not exercised will lapse.</td></tr>
<tr><td>Leavers</td><td colspan="3">Standard good leaver provisions apply (broadly relating to compassionate circumstances) and include pro-ration for service. If a participant ceases to be employed for any other reason, the award will lapse unless determined otherwise.</td></tr>
<tr><td>Change of control</td><td colspan="3">Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. The proportion that vests may be capped depending on the time elapsed since grant.</td></tr>
</table>

*SOCI as a measure of performance, and its importance to the business, is explained further in the Business review

Service contracts
Executive directors have service contracts which provide for 12 months' notice on either side There are no special provisions that apply in the event of a change of control

	Date of appointment	Nature of contract	Notice period from Company	Notice period from director	Compensation provisions for early termination
John Cresswell	16 January 2006	Rolling	12 months	12 months	None
Ian Griffiths	9 September 2008	Rolling	12 months	12 months	None
Rupert Howell	28 February 2008	Rolling	12 months	12 months	None

Note
The Company retains the right to terminate employment by making payment in lieu of notice in which case the executive would be entitled to receive 12 months' salary and benefits (including pension contributions)

Executive directors' non-executive directorships
With specific approval of the Board, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them

During the year Michael Grade retained fees for external non-executive directorships as set out below

Company	2009 £000	2008 £000
Pinewood Shepperton Plc	**102**	102
Ocado Limited	**100**	100

Payments to outgoing executive director
When agreeing the terms of Michael Grade's departure the Committee were keen to ensure that any payments made only reflected contractual obligations.

As Michael Grade indicated his intention to leave in April 2009 and stood down in December 2009, the Committee agreed he should receive payment for the residual four months of his contractual notice period to April 2010 However, the Committee determined that this payment should be made at the rate he would have been paid as non-executive Chairman, rather than his Executive Chairman salary As a result, a payment of £167,000 was made on his departure

Michael Grade's Bonus payment in respect of 2009 performance was assessed against performance targets set at the start of the financial year and calculated in line with the bonus payments for other executive directors as disclosed on page 55 The payment made is included in the emoluments table on page 58

Details of Michael Grade's outstanding awards under the Company's long-term incentive plans are outlined in the Detailed audited disclosures section.

Interim Chief Executive
John Cresswell was appointed to the position of Interim Chief Executive on 1 January 2010 and will hold the position until Adam Crozier joins the Company as Chief Executive on 26 April 2010 In order to reflect the increase in his responsibilities during this transitional period he will receive an additional allowance of £125,000 per annum pro-rata for the period he serves as Interim Chief Executive

Non-executive directors
Each non-executive director has a contract of service with the Company, further details of which can be found in the Corporate Governance section. Fees paid to the non-executive directors are determined by the Board based on market information supplied by Deloitte, and in accordance with the restrictions contained within the Company's Articles of Association Non-executive directors do not participate in decisions concerning their own fees.

The fees are reviewed annually The additional fee for membership of the Nomination Committee ceased from 1 January 2010 There were no changes to the level of fees paid during 2009, and none are proposed for 2010 The annual fees payable are as follows

Non-executive directors' fees	£000
Board member	55
Senior Independent Director	25
Audit Committee member	5
Audit Committee Chairman	20
Remuneration Committee member	5
Remuneration Committee Chairman	15

Note
Details of committee membership can be found in the Corporate Governance section.

From 1 January 2009 the non-executive directors have used 25% of their annual fees, after statutory deductions, to acquire shares in the Company The shares are purchased quarterly and are held by a nominee on their behalf The shares release when they retire from the Board Details of their shareholdings can be found on page 61

Chairman
Archie Norman joined the Company as Chairman on 1 January 2010 As announced at the time of his appointment, his remuneration will comprise a cash fee of £300,000 per annum and an annual award of 400,000 shares over the initial three-year appointment term. He will not be required to apply a percentage of his cash fee to acquire shares as the Committee considers him to be sufficiently aligned with shareholders' interests following his purchase of 380,000 shares on appointment, together with the share element of his remuneration.

Detailed audited disclosures

The following tables provide details of each of the directors' and former directors' emoluments, pension entitlements, rights to share options and awards. All of these tables have been audited by KPMG Audit Plc.

Aggregate directors' remuneration

The total amounts of directors' remuneration for the period from 1 January 2009 to 31 December 2009 were as follows:

	2009 £000	2008 £000
Emoluments	**5,309**	2,893
Gains on exercise of share options	**1,092**	87
	6,401	2,980

Notes:
(1) Gains on exercise figure for 2009 is higher as it shows both the nil-cost options awarded under the 2008 Bonus vesting and being exercised, and the value on release of the remaining restricted shares awarded under the 2007 Bonus. John Cresswell also exercised his nil-cost options under the Granada Commitment Scheme during the year. Further information is contained in the tables on pages 59 and 60
(2) The value on release of restricted shares awarded under the DSA will be included in the gains on exercise figure going forward in order to make year-on-year comparisons more representative. The 2008 gains on exercise figure with this value included would have been £504,000

Directors' emoluments

The directors' emoluments for the year ended 31 December 2009 are set out in the table below. The main reasons for the difference in total emoluments year-on-year are:

2008 total emoluments: £2.9 million

- The total emoluments figure does not include any 2008 short-term incentives (Bonus), as they were awarded in nil-cost options under the DSA with no cash payments.
- The figures for Rupert Howell and Ian Griffiths are from the date of their appointment to the Board, in February and September 2008 respectively. If the total emoluments figure for 2008 included their salary for a full year, as in 2009, then the 2008 total emolument figure is £3.2 million on a like-for-like basis.

2009 total emoluments: £5.3 million

- The 2009 Bonus is higher as financial targets were met as described on page 53

Emoluments

Name of director	Notes	Basic salary/ Fees £000	Benefits in kind[4] £000	Pension contributions £000	Short-term incentives (cash)[5] £000	Total for the year ended 31 December 2009 £000	Total for the year ended 31 December 2008 £000
Executive							
Michael Grade	1, 2	**825**	**63**	**74**	**1,164**	**2,126**	934
John Cresswell		**575**	**20**	**–**	**363**	**958**	599
Ian Griffiths	3, 7	**425**	**13**	**64**	**210**	**712**	127
Rupert Howell	3, 7	**450**	**49**	**67**	**267**	**833**	474
Non-executive							
Mike Clasper		**80**	**–**	**–**	**–**	**80**	80
Sir James Crosby		**100**	**–**	**–**	**–**	**100**	100
Andy Haste		**65**	**–**	**–**	**–**	**65**	24
Heather Killen		**65**	**–**	**–**	**–**	**65**	65
John Ormerod		**65**	**–**	**–**	**–**	**65**	62
Baroness Usha Prashar		**75**	**–**	**–**	**–**	**75**	75
Sir George Russell		**165**	**–**	**–**	**–**	**165**	165
Agnès Touraine		**65**	**–**	**–**	**–**	**65**	65
Past director's remuneration (for comparative purposes)		**–**	**–**	**–**	**–**	**–**	123
Total emoluments		**2,955**	**145**	**205**	**2,004**	**5,309**	2,893

Notes:
(1) Pension contribution represents a cash payment in lieu of pension and is described further in the pension entitlements section of this report.
(2) The benefits in kind figure includes a cash payment in lieu of accrued but unused holiday at the year end.
(3) Pension contributions represent payments made into Personal Pension Plans and are described further in the pension entitlements section of this report.
(4) This disclosure includes the cost of private medical insurance and car related benefits.
(5) Executive directors will receive a 2009 Bonus as follows: Michael Grade will receive 141% of salary and will be paid fully in cash. John Cresswell will receive 126% of salary and Rupert Howell 118.5% salary, with 50% paid in cash as shown above and 50% awarded as restricted shares under the DSA. Ian Griffiths will receive 141% of salary and has elected to take 65% as restricted shares under the DSA and the remainder in cash.
(6) Non-executive directors' fees include an element which is used to purchase shares as described on page 57. Details of their shareholdings are shown on page 61
(7) The figures for 2008 reflect emoluments from the date of appointment to the Board which are set out on page 48.

Directors' interests in share options

Information given in the table below is for the period from 1 January 2009 to 31 December 2009

Award date	Notes	At 1 January 2009	Awarded in year	Exercised/ Released in year	Lapsed in year	At 31 December 2009	Share price used for award (pence)	Exercise price (pence)	Date of exercise/ release	Share price at date of exercise/ release (pence)	Pre-tax gain at date of exercise/ release (£)	Vesting date/ Exercise period
John Cresswell												
Deferred Share Award Plan												
14 March 2008	1	241 491	–	241 491	–	–	65 30	–	31 December 2009	54 24	130,985	–
24 April 2009	2	–	264,314	264 314	–	–	31 00	–	31 December 2009	54 24	143 634	–
			264,315	–	–	**264,315**	31 00	–	–	–	–	31 December 2010 – 31 December 2011
Performance Share Plan												
13 September 2006	3 A	607,595	–	–	607 595	–	98.75	–	–	–	–	–
1 June 2009	B	–	1,608,392	–	–	**1,608,392**	35 75	–	–	–	–	June 2012 – June 2013
Turnaround Plan												
13 September 2007	4 A	2,849 100	–	–	712 275	**2,136,825**	111 00	–	–	–	–	31 December 2011 – 31 December 2012
Save As You Earn scheme												
4 April 2008	5	32 307	–	–	32 307	–	–	52 00	–	–	–	–
17 July 2009	5	–	54 370	–	–	**54,370**	35 75	28.60	–	–	–	September 2014 – March 2015
Commitment Scheme												
22 August 2003	6	301 785	–	301 785	–	–	–	–	20 October 2009	50 98	153,850	–
22 August 2003	6	471 944	–	–	–	**471,944**	–	100.72	–	–	–	August 2005 – August 2010
19 April 2005	10, C	283,407	–	–	283 407	–	–	–	–	–	–	–
19 April 2005	10 C	283,407	–	–	283,407	–	–	125 75	–	–	–	–
20 March 2006	11 D	518,358	–	–	259 179	**259,179**	–	–	–	–	–	March 2010 – March 2016
20 March 2006	11, D	518,358	–	–	259 179	**259,179**	–	115.75	–	–	–	March 2010 – March 2016
Executive Share Option Schemes												
22 December 2000	7	959	–	–	–	**959**	–	217 78	–	–	–	December 2003 – December 2010
6 July 2001	7	36 399	–	–	–	**36,399**	–	137 02	–	–	–	July 2004 – July 2011
28 September 2001	7	113,851	–	–	–	**113,851**	–	91 35	–	–	–	September 2004 – September 2011
9 January 2002	7	1,040	–	–	–	**1,040**	–	143 27	–	–	–	January 2005 – January 2012
10 July 2002	7	19,240	–	–	–	**19,240**	–	106.25	–	–	–	July 2005 – July 2012
7 January 2003	7	18,200	–	–	–	**18,200**	–	76.92	–	–	–	January 2006 – January 2013
Michael Grade												
Deferred Share Award Plan												
14 March 2008	1	740,352	–	740,352	–	–	65.30	–	31 December 2009	54.24	401,567	–
24 April 2009	2	–	758,468	–	–	**758,468**	31 00	–	–	–	–	31 December 2009 – 31 December 2010
Turnaround Incentive Award												
13 September 2007	8, A	5,657,042	–	–	1 703,648	**3,953,394**	106.06	–	–	–	–	31 December 2011 – 31 December 2012
Save As You Earn scheme												
4 April 2008	9	32,307	–	–	–	**32,307**	–	52 00	–	–	–	January 2010 – June 2010

Award date	Notes	At 1 January 2009	Awarded in year	Exercised/ Released in year	Lapsed in year	At 31 December 2009	Share price used for award (pence)	Exercise price (pence)	Date of exercise/ release	Share price at date of exercise/ release (pence)	Pre-tax gain at date of exercise/ release (£)	Vesting date/ Exercise period
Ian Griffiths												
Deferred Share Award Plan												
2 October 2008	2	177,515	–	177515	–	–	42.25	–	31 December 2009	54.24	96,284	–
24 April 2009	2	–	48,840	48,840	–	–	31.00	–	31 December 2009	54.24	26490	–
			48,841	–	–	**48,841**	31.00	–	–	–	–	31 December 2010 – 31 December 2011
Performance Share Plan												
1 June 2009	B	–	1 188,812	–	–	**1,188,812**	35.75	–	–	–	–	June 2012 – June 2013
Turnaround Plan												
2 October 2008	4 A	4,023,669	–	–	1,005 917	**3,017,752**	42.25	–	–	–	–	31 December 2011– 31 December 2012
Rupert Howell												
Deferred Share Award Plan												
14 March 2008	1	48,756	–	48,756	–	–	65.30	–	31 December 2009	54.24	26,445	–
24 April 2009	2	–	206,855	206 855	–	–	31.00	–	31 December 2009	54.24	112,198	–
			206,855	–	–	**206,855**	31.00	–	–	–	–	31 December 2010 – 31 December 2011
Performance Share Plan												
1 June 2009	B	–	1,101,399	–	–	**1,101,399**	35.75	–	–	–	–	June 2012 – June 2013
Turnaround Plan												
3 October 2007	4 A	2 357 143	–	–	589,286	**1,767,857**	105.00	–	–	–	–	31 December 2011– 31 December 2012

Notes:

(1) Awarded in the form of restricted shares.

(2) Awarded in the form of nil-cost options. The award made to Ian Griffiths on 2 October 2008 was a one off award under the terms of his employment.

(3) The 2006 PSP awards reached the end of their performance period in 2009 and lapsed as the TSR performance condition was not met.

(4) 25% of the award was tested on 31 December 2009 and as the performance condition was not met this portion of the award lapsed.

(5) John Cresswell chose to withdraw from the 2008 scheme in order to participate in the 2009 scheme resulting in his options lapsing.

(6) The performance condition applicable for the awards made under the Granada Commitment Scheme was TSR relative to Granada's international media comparator group 25% of awards vest at median, 100% vesting occurs at upper decile. Up to 50% of these awards were capable of vesting after two years, with the remainder subject to performance over a four year period. The options are shown in ITV plc shares and were adjusted following the merger of Granada with Carlton in 2004. The balance shown represents options that have vested at the relevant vesting dates, but not been exercised.

(7) Awards outstanding under the Granada Media and Granada Schemes. The options are shown in ITV plc shares and were adjusted following the merger of Granada with Carlton in 2004.

(8) In accordance with the terms of the award, 25% of the total award would vest at 31 December 2009 if the TSR condition was satisfied. As the performance condition was not satisfied, this portion of the award will be tested with the remaining balance of the award on 31 December 2011. On cessation of employment on 31 December 2009, 75% of the award due to be tested on 31 December 2011 was pro-rated for service and a proportion lapsed accordingly.

(9) On cessation of employment on 31 December 2009, the award vested and became exercisable over a pro-rated number of shares for a period of six months.

(10) Lapsed on 19 April 2009 as performance conditions were not met.

(11) 50% lapsed on 20 March 2009 as performance conditions were not met. Remaining balance is unvested and will be tested on 20 March 2010.

The comparator groups for each award are set out in the table below, and apply as marked in the notes column

A	British Airways, British Sky Broadcasting Group, BT Group, Capita Group, Carnival, Compass Group, Diageo, DSG International, Enterprise Inns, Home Retail Group, Intercontinental Hotels Group, Kingfisher, Marks & Spencer Group, Next, Pearson, Reed Elsevier, Thomson Reuters, SABMiller, Scottish & Newcastle, Vodafone Group, WPP and Yell Group.
B	The portion of the award subject to TSR will be measured equally against two distinct comparator groups, the constituents of the FTSE 250 index (excluding companies from the basic materials, financial services, oil and gas and industrials industries), and an industry sector specific group of 23 companies: British Sky Broadcasting Group, Scripps Networks, Canal Plus, Telecinco, CBS, Tf1 (Tv.Fse.1), Daily Mail & General Trust, Time Warner, M6-Metropole TV, Trinity Mirror, Mediaset, Viacom Digital, Modern Times Group, Virgin Media, News Corporation, Vivendi, Pearson, WPP Group, Premier AG, Yell Group, Prosieben Sat 1 Pf., Zon Multimedia and RTL Group.
C	Allied Domecq, BAA, Alliance Boots, British Airways, British Sky Broadcasting Group, BT Group, Bunzl, Cable & Wireless, Capita Group, Carnival, Compass Group, Daily Mail and General Trust, Diageo, DSG International, EMAP, Enterprise Inns, Exel, Home Retail Group, Hays, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, O2, Pearson, Reed Elsevier, Rentokil Initial, Thomson Reuters, Rexam, SABMiller, Scottish & Newcastle, Vodafone Group, Whitbread, William Hill, WPP and Yell Group.
D	BAA, Alliance Boots, Brambles, British Airways, British Sky Broadcasting Group, BT Group, Cable & Wireless, Capita Group, Carnival, Compass Group, Daily Mail and General Trust, Diageo, DSG International, Enterprise Inns, Home Retail Group, InterContinental Hotels Group, Kingfisher, Ladbrokes, Marks & Spencer Group, Next, PartyGaming, Pearson, Reed Elsevier, Rentokil Initial, Thomson Reuters, Rexam, SABMiller, Scottish & Newcastle, Vodafone Group, Wolseley, WPP and Yell Group.

Pension entitlements

During the year John Cresswell was a member of the Company's defined benefit pension scheme and had accrued entitlements under the scheme as follows:

Name of director	Accrued pension 1 January 2009 £000	Increase in accrued pension in the year £000	**Accrued pension 31 December 2009 £000**
John Cresswell	108	11	**119**

The following table sets out the transfer value of his accrued benefits under the scheme calculated in a manner consistent with the Occupational Pension Schemes (Transfer Values) Regulations 2008 The pension benefits of John Cresswell are provided on a defined benefit basis. The accrued pension shown is that which would be paid annually based on service to the end of that year The increase in accrued pension during the year reflects an increase in the pension entitlement as a result of an additional year of service

During 2009, ITV consulted with defined benefit scheme members regarding changes to future benefit accrual With effect from January 2010, pensionable salary increases for all defined benefit members, including John Cresswell, are capped at 1% Further information on this can be found in note 6 of the consolidated financial statements or on page 43

Name of director	Transfer value 1 January 2009 £000	Contributions made by the director £000	Increase in transfer value in the year net of contributions [1] £000	**Transfer value 31 December 2009 £000**
John Cresswell	1,240	46	201	**1,487**

Notes

(1) Transfer values at 31 December 2009 have been calculated in accordance with the transfer value members would receive if they transferred their pension elsewhere. The Trustees of the ITV Pension Scheme updated the transfer value factors over 2009 to allow for increasing evidence that people are living longer than previously expected which has contributed to the increase in the transfer value to 31 December 2009 The increase in the transfer value also includes the effect of fluctuations due to factors beyond the control of the Company and directors, such as stock market movements.

(2) John Cresswell has a normal retirement age of 63

(3) In the event of the death of an executive director a pension equal to one half of director's pension will become payable to a surviving spouse. A pension may become payable to any surviving dependant children.

(4) In common with other members of the defined benefit pension scheme the executive director may, with the consent of the Company, receive and draw a pension at any time after reaching the age of 50 (55 from 6 April 2010)

The following additional information is given to comply with the requirements of the Listing Rules which differ in some respects from the equivalent statutory requirements.

Name of director	Increase in accrued pension in the year in excess of inflation £000	Transfer value of increase in the year less director's contributions £000
John Cresswell	11	59

The transfer values disclosed above do not represent a sum paid or payable to John Cresswell Instead they represent a potential liability of the pension scheme

Michael Grade, Ian Griffiths and Rupert Howell were not members of any Company pension scheme during the year The Company made contributions to Personal Pension Plans belonging to Ian Griffiths and Rupert Howell with a value of 15% of their respective basic salaries. Michael Grade received a cash payment of 9% of his basic salary in lieu of pension contributions. These payments are included in the emoluments table on page 58.

No directors were members of defined contribution schemes operated by the Group

Directors' interests

The figures set out below represent shareholdings in the ordinary share capital of ITV plc beneficially owned by directors and their family interests. Between the end of the financial year and 3 March 2010, there were no changes in directors' interests in shares.

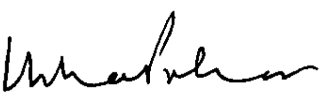
Director	**31 December 2009**	31 December 2008
Mike Clasper	**46,784**	18,000
John Cresswell	**1,260,462**	784,660
Sir James Crosby	**138,388**	98,058
Michael Grade	**879,814**	436,407
Ian Griffiths	**233,358**	100,000
Andy Haste	**33,302**	10,000
Rupert Howell	**199,350**	48,755
Heather Killen	**45,302**	22,000
John Ormerod	**75,372**	50,000
Baroness Usha Prashar	**30,017**	3,000
Sir George Russell	**112,847**	62,090
Agnès Touraine	**124,301**	100,000

Share price information

The market price of the ITV plc ordinary shares at 31 December 2009 was 52 35 pence and the range during the year was 17 50 pence to 55 05 pence

Approval

The Remuneration report was approved by the Board on 3 March 2010 and signed on its behalf by Baroness Usha Prashar



Other governance and statutory disclosures

Substantial shareholdings
As at 3 March 2010 the Company had received notifications from the following companies and institutions of the voting interests of themselves and their clients in 3% or more of the issued ordinary share capital (carrying rights to vote in all circumstances) of the Company (numbers of shares and percentage interests are as at the notification dates)

	Shares	%
Sky Holdings Ltd[1]	291,684,730	7 50
Brandes Investment Partners, LP	275,411,157	7 08
Legal and General Investment Management Ltd	200,841,036	5 16
Blackrock, Inc	194,695,694	5 01
AXA SA	170,580,317	4 39

Notes
(1) Subsidiary of British Sky Broadcasting Group plc
(2) A profile of shareholdings is set out on page 113

Share capital
Issued At the date of this report there were 3,889,129,751 ordinary shares of 10 pence each in issue, all of which are fully paid up and quoted on the London Stock Exchange Further details of the movements in the authorised and issued share capital of the Company during the year are set out on page 110

Rights. The rights attaching to the Company's ordinary shares, as well as the powers of the Company's directors, are set out in the Company's Articles of Association, copies of which can be obtained from the Company's website at www itvplc.com or by writing to the Company Secretary

Restrictions. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time In accordance with the Listing Rules, certain employees are required to seek approval to deal in ITV shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company. Unless expressly specified to the contrary, the Company's Articles of Association may be amended by special resolution of the shareholders.

Purchase of own shares: The directors have the authority to purchase up to 388 9 million of the Company's ordinary shares. The authority remains valid until the 2010 Annual General Meeting, or 13 August 2010 if earlier

Trusts. The Company has a discretionary trust funded by loans to acquire shares for the potential benefit of employees of the Group Details of shares held by the trust at 31 December 2009 are set out in note 30 During the year shares have been released from the trust in respect of share schemes for employees. The trust waives the right to dividends payable on those shares held by the trust that are not subject to any share plan operated by the Company where participants are the beneficial but not registered owners of shares.

Change of control
All of the Company's share schemes contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. Certain of the Group's bonds/borrowing facilities have change of control clauses whereby the issuer can require ITV to repay/redeem bonds in the event of a change of control The Company is not aware of any other significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company

Creditor payment policy
The Company's policy, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction, ensure awareness of the terms and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not follow any code or standard payment practice The number of days' purchases outstanding for payment by the Company as at 31 December 2009 was nil days (2008. nil)

Pension Scheme indemnities
Qualifying pension scheme indemnity provisions, as defined in section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2009 and remain in force for the benefit of each of the directors of ITV Pension Scheme Limited, an associated company of ITV plc. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of ITV Pension Scheme Limited.

Audit
The directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. As recommended by the Audit Committee, a resolution for the re-appointment of KPMG Audit Plc as auditor to the Company will be proposed at the 2010 Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held on Friday 7 May 2010 at 11 00 am at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of the Annual General Meeting contains an explanation of special business to be considered at the meeting A copy of the Notice is available on the Company's website at www itvplc.com

By order of the Board

Andrew Garard
Company Secretary
3 March 2010

ITV plc
The London Television Centre
Upper Ground
London
SE1 9LT
Registered number 4967001

Contacts and documents for corporate governance

Chairman	Archie Norman
Senior Independent Director	Mike Clasper
Interim Chief Executive	John Cresswell
Company Secretary	Andrew Garard

Telephone 020 7157 3000

The following documents are available on the Company's website at www itvplc.com.

- Terms of engagement for non-executive directors;
- Schedule of matters reserved for the Board,
- Terms of reference for Audit, Disclosure, General Purpose, Nomination and Remuneration Committees;
- Guidelines for seeking independent advice;
- Directors' indemnity; and
- Terms of reference for remuneration consultants.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, the names of whom are set out on pages 44 and 45, confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets and liabilities, financial position and the profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the Directors' report includes a review of the development and performance of the business and the position of the issue and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Andrew Garard
Company Secretary
3 March 2010

Independent auditors' report to the members of ITV plc

We have audited the Consolidated and Company financial statements of ITV plc for the year ended 31 December 2009 set out on pages 63 to 112 The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc.org uk/apb/scope/UKP

Opinion on financial statements
In our opinion

- the Consolidated and Company financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009, and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following.

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review

- the Directors' report, set out on page 42, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Richard Bawden (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

8 Salisbury Square
London EC4Y 8BB
3 March 2010

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

Business review

Governance

Financial statements

Consolidated statement of changes in equity

	Attributable to equity shareholders of the parent company								
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained losses £m	Total £m	Non-controlling interests £m	Total equity £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

Consolidated statement of changes in equity

	Attributable to equity shareholders of the parent company								
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings/(losses) £m	Total £m	Non-controlling interests £m	Total equity £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	2009 £m	2009 £m	2008 £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 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 on pages 40–42 in respect of liquidity risk and going concern 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 Accounting policies (continued)

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.

1 Accounting policies (continued)

1 7) Intangible assets (continued)

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 Accounting policies (continued)

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 Accounting policies (continued)

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.

1 Accounting policies (continued)

1.18) Foreign currencies (continued)

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 Accounting policies (continued)

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)

2 Operating segmental information (continued)

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

Details of the directors' emoluments, share options, pension entitlements and long-term incentive scheme interests are set out in the Remuneration report.

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. The Group's policy on such assignments is set out in the Audit Committee report.

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	**07**	09
Fees payable to KPMG and its associates for other services.		
The audit of the Group's subsidiaries pursuant to legislation	**0.2**	02
Other services supplied pursuant to legislation	**04**	01
Other services relating to taxation	**0.2**	05
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	**06**	06
All other services	**01**	-
Total	**2.2**	23

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 off set 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 it's 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)

6 Pension schemes (continued)

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
Curtailment 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

6 Pension schemes (continued)

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%

6 Pension schemes (continued)

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 Number of options ('000)	2009 Weighted average exercise price (pence)	2008 Number of options ('000)	2008 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 Weighted average exercise price (pence)	2009 Number of options ('000)	2009 Weighted average remaining contractual life (years)	2008 Weighted average exercise price (pence)	2008 Number of options ('000)	2008 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

Full details of the Turnaround Plan, Commitment Scheme, Performance Share Plan and Deferred Share Award Plan can be found in the Remuneration report.

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.

7 Share-based compensation (continued)

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)

9 Taxation (continued)

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 Basic £m	2009 Diluted £m	2008 (restated) Basic £m	2008 (restated) 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 8)p	(4 8)p
Subtract Profit per ordinary share on other tax adjustments	**(0 7)p**	**(0 6)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
		Long	Short	Owned	Finance Leases	
	£m	£m	£m	£m	£m	£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

13 Intangible assets (continued)

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.

13 Intangible assets (continued)

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)

22 Analysis of net debt (continued)

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

22 Analysis of net debt (continued)

Ageing of borrowings

	2009 Loans and loan notes £m	2009 Finance leases £m	2009 Total £m	2008 Loans and loan notes £m	2008 Finance leases £m	2008 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 Minimum lease payments £m	2009 Interest £m	2009 Principal £m	2008 Minimum lease payments £m	2008 Interest £m	2008 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.

23 Financial risk factors (continued)

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

		Book value		Fair value	
Assets	Maturity	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

		Book value		Fair value	
Liabilities	Maturity	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

24 Financial instruments (continued)

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.

24 Financial instruments (continued)

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 Assets £m	2009 Liabilities £m	2008 Assets £m	2008 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 three-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 Number of shares	2009 Market value £m	2008 Number of shares	2008 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 as described on page 27

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

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 is recorded at cost, adjusted for the effect of the adoption of UITF 41 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 The costs relating to these directors are disclosed in the Remuneration report.

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 2009 £m	Authorised 2008 £m	Allotted, issued and fully paid 2009 £m	Allotted, issued and fully paid 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 fur 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

ix Principal subsidiary undertakings and investments (continued)

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.
(2) Incorporated and registered in Scotland.
(3) Incorporated and registered in USA.

a Associated undertaking.
b Joint venture.
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

Shareholder information

	Holders Number	%	Shares held Millions	%
Type of holder				
Banks and nominee companies	2,514	3 49	3,661 29	94 14
Individuals	69,104	95 87	153 84	3 96
Others	462	0 64	74 00	1 90
Totals		**100 00**		**100 00**
Size of holding				
1 – 100	9,904	13 74	0 36	0 01
101 – 200	9,488	13 16	1 42	0 04
201 – 500	18,524	25 70	6 22	0 16
501 – 1,000	13,153	18 25	9 58	0 25
1,001 – 2,000	10,374	14 39	14 71	0 38
2,001 – 5,000	6,410	8 89	20 06	0 51
5,001 – 10,000	2,162	3 00	15 55	0 40
10,001 – 50,000	1,379	1 91	27 18	0 70
50,001 – 100,000	149	0 21	10 78	0 28
100,001 – 500,000	231	0 32	56 25	1 45
500,001 – 1,000,000	86	0 12	61 17	1 57
1,000,001 – 5,000,000	132	0 18	309 71	7 96
5,000,001 – 10,000,000	35	0 05	250 53	6 44
10,000,001 – 50,000,000	36	0 05	699 99	18 00
50,000,001 and above	17	0 03	2,405 62	61 85
Totals		**100 00**		**100 00**

Information as at 31 December 2009

Registrars and transfer office
All administrative enquiries relating to shareholdings and requests to receive corporate documents should, in the first instance, be directed to Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA

0871 664 0300 (calls cost 10 pence per minute plus network charges) from the UK and **+44 20 8639 3399** from outside the UK

Alternatively you could email them at.
shareholder.services@capitaregistrars.com

Shareholders who receive duplicate sets of company mailings because they have multiple accounts should write to Capita to have the accounts amalgamated

By logging on to www capitashareportal com shareholders can benefit from a number of online services as follows.

- Cast your proxy vote online,
- Elect to receive shareholder communication electronically,
- View your holding balance, indicative share price and valuation,
- View transactions on your holding and dividend payments you have received;
- Update your address or register a bank mandate instruction to have dividends paid directly to your bank account;
- Access a wide range of shareholder information including downloadable forms.

www.capitashareportal.com

You will need your investor code (IVC) which can be found on your share certificate(s) to register to use the Shareholder Portal.

Share dealing services
The Company's shares can be traded through most banks, building societies and stockbrokers. Additionally, the Company's registrars offer online and telephone dealing for UK resident shareholders through Capita IRG Trustees Limited To use this service shareholders should contact Capita.

0871 664 0364 from the UK (calls cost 10 pence per minute plus network charges) or **1 890 946 375** from Ireland

www.capitadeal com

ShareGift
ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomic to sell on a commission basis. The scheme is administered by the Orr Mackintosh Foundation and further information can be obtained by contacting them

020 7930 3737

www.sharegift.org

Share price information
The current price of ITV plc ordinary shares is available on Ceefax and on the Company website at www itvplc.com.

The Unclaimed Assets Register

The Company participates in The Unclaimed Assets Register, which provides a search facility for financial assets, which may have been lost or forgotten and which donates 10% of its public search fees to a wide range of UK charities. For further information and to obtain a search request form contact.

The Unclaimed Assets Register
PO Box 9501
Nottingham NG80 1WD

0870 241 1713

search@uar.co uk

www uar co uk

Unsolicited mail

The Company is legally obliged to make its register of members available to the public As a consequence of this some shareholders might receive unsolicited mail Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service (MPS)

FREEPOST 29 LON20771
London W1E 0ZT

Alternatively you can register online or request an application form by telephone or by email MPS will then notify the bodies that support its service that you do not wish to receive unsolicited mail

0845 703 4599

mps@dma org uk

www.mpsonline.org.uk

Registered office

The London Television Centre
Upper Ground
London SE1 9LT

020 7157 3000

Company registration number 4967001

Company website

Investor and shareholder related information can be found on the Company website at

www.itvplc.com

Financial calendar

Annual General Meeting	7 May 2010
Interim Management Statement	May 2010
Half year results announcement	August 2010

Unauthorised brokers (Boiler Room Scams)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas based brokers who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting:

  www fsa.gov.uk/pages/register

- Report the matter to the FSA either by calling 0300 500 5000 or by visiting

  www.moneymadeclear fsa.gov.uk

- If the calls persist, hang up

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme The FSA can be contacted by completing an online form at

www fsa.gov uk/pages/doing/regulated/law/alerts/overseas.shtml

Details of any sharedealing facilities that the Company endorses will only be included in company mailings.

More detailed information can be found on the FSA website

www.moneymadeclear fsa.gov.uk

Identity theft

Tips for protecting your ITV plc shares.

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee
- Keep all correspondence from Capita in a safe place, or destroy correspondence by shredding
- If you change address inform Capita in writing or via the Shareholder Portal. If you receive a letter from Capita regarding a change of address but have not recently moved please contact them immediately
- Consider having your dividend paid directly into your bank. This will reduce the risk of the cheque being intercepted or lost in the post
- If you change your bank account, inform Capita of the details of your new account. You can do this via post or online using the Shareholder Portal Respond to any letters Capita sends you about this.
- If you are buying or selling shares only deal with brokers registered in your country of residence or the UK.

Glossary of terms

Analogue television – UK terrestrial television broadcasting format supporting five channels (BBC1, BBC2, ITV1, Channel 4 and Five)

BARB – Broadcasters' Audience Research Board – owned by broadcasters and advertisers and providing data on viewing statistics in UK households

Cable – cable television – often also providing telephony and broadband internet services

Cash bid – the fixed element of ITV and GMTV's licence fees

Channel 3 licences – the 15 regional licences and one national licence awarded to transmit Channel 3 across the UK Eleven of the regional licences are held by ITV plc.

Contract Rights Renewal (CRR) – the remedy agreed by Carlton and Granada in 2003 as a pre-condition of the merger and which governs the way in which ITV1 airtime is sold by ITV to its advertising customers

Corporate Responsibility (CR) – term used to cover all areas of responsible behaviour by companies including ethical behaviour, corporate governance and environmental impact

Cost Per Thousand (CPT) – the price paid by an advertiser for 1,000 commercial impacts

Defined benefit pension scheme – a pension scheme for employees under which the ultimate pension benefit is usually related to salary, either at date of retirement/leaving or at date of accrual

Defined contribution pension scheme – a pension scheme for employees under which the ultimate pension is usually related to the contributions paid into the scheme by employee and employer and to the investment returns earned on such contributions up to retirement

Digital Terrestrial Television (DTT) – the digital transmission system (currently comprising six multiplexes each capable of transmitting between six and ten television channels), that is often referred to as Freeview, will fully replace analogue transmissions at switchover

Freesat – a platform broadcasting digital channels by satellite accessible to viewers without paying a subscription

Freeview – the name by which UK free to air digital terrestrial television is often known

High Definition/HD Services – channels or services broadcast in substantially higher resolution than standard, providing improved picture quality

Impact or commercial impact – one advertising impact is one viewer watching one 30-second commercial (usually referred to as rate card weighted and relating to a specific demographic group) Unless otherwise stated, commercial impact figures cited throughout this report refer to adult commercial impacts based on BARB data

ITV1 adult SOCI – SOCI for the adult demographic delivered on ITV1

Net Advertising Revenue (NAR) – the amount of money received by the broadcaster as payment for spot advertising net of any commission paid

Ofcom – the regulator established to govern UK broadcasting as well as other areas of the media and telephony industry

Office of Fair Trading (OFT) – the Office of Fair Trading is the UK's principal competition regulator

Peak-time – the evening period of heaviest television viewing activity normally between 7 00 pm and 10 30 pm

PQR Levy – the variable element of ITV's licence fees representing a percentage of NAR and sponsorship income

Product placement – the inclusion of, or reference to, a product or service within a programme in return for payment or other valuable consideration to the programme maker or broadcaster

Premium Rate Services (PRS) – usually a telephone number charging a higher rate than normal local calls and often used by television channels for participation TV and quizzes. PRS may be accessed via the red button on a TV remote control

Public Service Broadcasting (PSB) – the considerable requirements placed on certain broadcasters including obligations to transmit particular material which may not be wholly commercial (e g religion and current affairs) within their schedules

Share of Commercial Impacts (SOCI) – the term used to define the share of total UK television commercial impacts which is delivered by one channel or group of channels. Unless otherwise stated, SOCI figures cited throughout this report refer to share of adult commercial impacts based on BARB data

Share of viewing/audience share – the share of the total viewing audience during a defined period (for example, for a slot, hour, peak-time or full calendar year) gained by a programme or channel Unless otherwise stated, audience share figures cited throughout this report refer to share of viewing for all individuals based on BARB data

Unique users (UUs) – a measure of the number of individual users visiting a website over a defined period

Video on demand – the ability to deliver video content to a customer's television set or computer when the customer requests it

Video views – a measure of viewing of online video A video view is generated when a piece of video content is delivered to a user's screen

Financial record

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Results					
Revenue	**1,879**	2,029	2,082	2,181	2,196
Earnings before interest, tax and amortisation (EBITA) before exceptional items	**202**	211	311	375	460
Amortisation of intangible assets	**(59)**	(66)	(56)	(56)	(481)
Impairment of intangible assets	**–**	(2,695)	(28)	(20)	–
Share of profit or loss of joint ventures and associated undertakings	**(7)**	(15)	2	8	11
Investment income	**–**	1	1	3	5
Exceptional items	**(20)**	(108)	(9)	4	(28)
Profit/(loss) before interest and tax	**116**	(2,672)	221	314	346
Net financing costs	**(91)**	(60)	(33)	(26)	(35)
Profit/(loss) before tax	**25**	(2,732)	188	288	311
Taxation	**69**	178	(50)	(66)	(85)
Profit/(loss) after tax	**94**	(2,554)	138	222	226
Non-controlling interests	**(3)**	(2)	(1)	(3)	(4)
Profit/(loss) for the financial year	**91**	(2,556)	137	219	222
Basic earnings/(loss) per share	**2.3p**	(65.9)p	3.5p	5.5p	5.4p
Dividend per share	**–**	0.675p	3.15p	3.15p	3.12p
Consolidated statement of financial position					
Share capital	**389**	389	389	401	423
Reserves	**(44)**	137	2,844	2,755	2,870
Total equity attributable to equity shareholders of the parent company	**345**	526	3,233	3,156	3,293
Non-controlling interests	**1**	8	6	7	12
Net assets	**346**	534	3,239	3,163	3,305
Represented by:					
Property, plant and equipment and intangible assets	**1,191**	1,360	4,084	4,088	4,182
Investments	**6**	71	89	103	274
Distribution rights	**16**	13	7	11	13
Inventory	**388**	516	440	400	388
Trade and other receivables (including assets held for sale and derivative financial instruments)	**565**	528	472	548	432
Deferred tax asset	**50**	–	–	–	74
Total assets	**2,216**	2,488	5,092	5,150	5,363
Net debt	**(612)**	(730)	(668)	(734)	(481)
Deferred tax liability	**–**	(55)	(75)	(7)	–
Other liabilities	**(1,182)**	(1,085)	(1,079)	(1,219)	(1,525)
Provisions	**(76)**	(84)	(31)	(27)	(52)
	346	534	3,239	3,163	3,305

This financial record sets out the balance sheet and results of the Group since its formation following the merger of Granada plc and Carlton Communications plc.

Cash and cash equivalents are included within net debt.

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