Carlton Communications Limited

Directors' report and financial statements

Registered number 348312

Year ended 31 December 2009

Contents

Directors' report

The Directors present their Directors' report and financial statements for the year ended 31 December 2009

Principal activities

The principal activity of Carlton Communications Limited ("the Company") continues to be to act as an investment company

The results for the Company show a profit after taxation of £70 4m for the year *(2008 profit after taxation of £83 6m)*

The Company has met the requirements in Companies Act 2006 to obtain the exemption provided from the presentation of a business review

Going concern

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

On this basis, and on their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Dividends

Dividends paid during the year ended 2009 comprise an interim dividend of £150m paid on the 16th December 2009 *(2008 £nil)*

The directions do not recommend payment of a final dividend *(2008 £nil)*

Directors

The Directors who held office during the year were as follows

Name	Date of Appointment	Date of Cessation
Cresswell, John		23/04/2010
Garard, Andrew	15/05/2009	
Griffiths, Ian Ward	08/12/2009	
Tautz, Helen Jane		16/07/2009
Tibbitts, James Benjamin StJohn		15/05/2009

Political and charitable contributions

The Company made no political or charitable donations during the year *(2008 £nil)*

Financial Instruments

Note 14 of the accounts gives details of the Company's financial instruments and related exposures

Directors' report *(continued)*

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

Andrew Garard
Director

The London Television Centre, Upper Ground,
London, SE1 9LT

23 September 2010

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law they have elected to prepare the 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 Company and of the profit or loss of the Company for that year In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Carlton Communications Limited

We have audited the financial statements of Carlton Communications Limited for the year ended 31 December 2009 set out on pages 5 to 21 The financial reporting framework that has been applied in their preparation 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 3, 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 web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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

M Summerfield

Mark Summerfield (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

27 September 2010

Profit and loss account

	Notes	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Operating income	1	**14 9**	10 2
Operating costs	2	**(39 9)**	(2 2)
Operating (loss) / profit		**(25 0)**	8 0
Profit on sale of fixed assets	5	**1 1**	2 8
Provision relating to loans to subsidiary undertaking		**(4 6)**	(24 6)
Income from fixed asset investments	6	**-**	1 8
Release of / (recognition of) provision for diminution in fixed asset investments	11	**2 2**	(13 2)
Interest receivable and similar income	7	**81 1**	86 7
Interest payable and similar charges	8	**(1 5)**	(2 3)
Profit on ordinary activities before taxation		**53 3**	59 2
Tax on profit on ordinary activities	9	**17 1**	24 4
Profit on ordinary activities after taxation		**70 4**	83 6

As noted in the Directors' report, the results stated above are all derived from continuing activities

A statement of total recognised gains and losses has not been included as part of these financial statements as the Company made no gains or losses in the year other than those disclosed above in the profit and loss account

A note on historical cost profits and losses has not been included as part of these financial statements since the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The notes on pages 7 to 21 form part of these financial statements

Balance sheet

As at	Notes	31 December 2009 £m	31 December 2008 £m
Fixed assets			
Tangible assets	10	**13 2**	26 7
Investments	11	**1,346 6**	1,352 7
		1,359 8	1,379 4
Current assets			
Debtors	12	**535 8**	643 5
Cash at bank and in hand		**1,030 1**	1,459 0
		1,565 9	2,102 5
Current liabilities			
Creditors amounts falling due within one year	13	**(102 4)**	(592 0)
Net current assets		**1,463 5**	1,510 5
Total assets less current liabilities		**2,823 3**	2,889 9
Provisions for liabilities and charges	15	**(16 2)**	(3 2)
Net assets		**2,807 1**	2,886 7
Capital and reserves			
Called up share capital	16	**33 9**	33 9
Share premium	16	**161 5**	161 5
Capital contribution reserve	16	**1,408 2**	1,408 2
Other reserves	16	**762 9**	762 9
Profit and loss account	16	**440 6**	520 2
Shareholders' funds		**2,807 1**	2,886 7

The notes on pages 7 to 21 form part of these financial statements

These financial statements were approved by the board of Directors on 23 September 2010 and were signed on its behalf by

Andrew Garard
Director

Registered number 348312

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Dividends

Dividends are recognised in the year in which they are declared

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Operating income

Other operating income, which excludes value added tax, represents charges levied for rent and other related property costs recognised over the period of occupancy All of the Company's other operating income and results arise within the United Kingdom

Operating leases

The rental costs arising from operating leases are charged to the profit and loss account over the term of the lease on a straight line basis

Depreciation

Depreciation is provided to write off the cost or valuation less estimated residual value of certain tangible fixed assets on a straight line basis over their estimated future lives The major categories of fixed assets are depreciated as follows

Plant and equipment	3 to 20 years
Properties	
Leaseholds	shorter of residual lease term or 60 years
Freehold land	not depreciated
Freehold buildings	up to 60 years

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised where material and computed without discounting Full provision is made in respect of all timing differences between the treatment of certain items in the accounts and their treatment for taxation purposes at the balance sheet date, except as provided by FRS19 "Deferred Tax" Deferred tax assets are recognised to the extent that it is more likely than not that the asset will be recovered

Notes *(continued)*

1 **Accounting policies** *(continued)*

Related party transactions

As the Company is a wholly owned subsidiary of ITV plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of ITV plc, within which this Company is included, can be obtained from the registered office at The London Television Centre, Upper Ground, London SE1 9LT

Share based compensation

During the year the Company did not receive a share based payment charge from its ultimate parent Company ITV plc

2 **Operating costs**

Operating costs can be analysed as follows

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Staff costs	**-**	(0 1)
Depreciation of owned tangible fixed assets	**(1 6)**	(1 6)
Impairment of tangible fixed assets	**(11 9)**	(2 7)
	(13 5)	(4 4)
Other operating (charges) / credits		
Foreign exchange (losses) / gains	**(2 5)**	12 0
Property leases	**(6 4)**	(4 9)
Property provisions	**(14 4)**	(0 1)
Other property costs	**(4 7)**	(4 1)
Other income / (costs)	**1 6**	(0 7)
Total operating costs	**(39 9)**	**(2 2)**

A £14 4 million charge was incurred in respect of empty property, £13 7 million of which related 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

In the current and prior year the auditor's remuneration of £2,000 was borne by another group company Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent ITV plc

Notes *(continued)*

3 Staff costs and Directors' remuneration

The average number of employees during the year, including directors was

	Year ended 31 December 2009	Year ended 31 December 2008
Administration	-	2

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Remuneration of employees was		
Wages and salaries	-	0 1
	-	0 1

No Director received any emoluments for their services to this Company in the year *(2008 £nil)*

4 Share based payment

	2009		2008	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Outstanding at 1 January	191,644	71 88	314,197	79 46
Granted during the year - nil priced	-	-	-	-
Granted during the year - Other	-	28 60	-	52 00
Forfeited during the year	(44,756)	39 23	(36,461)	52 99
Exercised during the year	(30,687)	-	(27,059)	6 63
Expired during the year	(116,201)	52 19	(59,032)	80 94
Outstanding at 31 December	-	63 94	191,644	71 88
Exercisable at 31 December	-	160 42	69,211	151 48

The average share price of ITV plc during 2009 was 38 37 pence *(2008 52 34 pence)*

Notes *(continued)*

4 **Share based payment** *(continued)*

	2009			2008		
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)	Number of options	Weighted average remaining contractual life (years)
Nil	-	-	3 23	-	87,667	4 20
20 0-49 9	28 60	-	3 71	-	-	-
50 00-69 99	55 40	-	2 58	53 80	23,214	3 54
70 00-99 99	84 75	-	1 99	84 95	7,481	2 68
100 00-109 99	101 90	-	1 04	101 96	19,800	2 04
110 00-119 99	114 14	-	4 22	114 55	19,678	5 73
120 00-149 99	137 33	-	1 87	133 63	10,479	3 97
150 00-199 99	-	-	-	-	-	-
200 00-249 99	217 78	-	0 98	217 78	1,977	1 98
250 00-299 99	270 09	-	0 54	270 25	21,199	1 54
300 00-385 99	385 31	-	0 40	385 31	149	1 40

Share schemes

Awards made under the Granada Media and Granada Commitment schemes, the Granada Media, Granada and Carlton Executive Share Option schemes, the Carlton Equity Participation Plan, and the Carlton Deferred Annual Bonus Plan have all reached the end of their various performance periods, and have vested or lapsed accordingly Details of the performance criteria that applied to these awards are detailed in previous accounts

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

Short term and deferral incentives

Annual incentives are provided for the Senior Executive Group and other key management through the ITV Annual Bonus Scheme Typically half of any pre-tax bonus award has been automatically deferred into restricted shares or nil-cost options under the Deferred Share Award Plan ("DSA") Deferred awards to directors will vest after 12 and 24 months from the end of the financial year to which the bonus relates Participants may elect to take the balance of the bonus in cash or awards under the DSA

Awards made under the DSA, as well as any cash bonus payments, will be based on the achievement of a combination of corporate, specific business and individual targets

Long term incentive plans

Performance Share Plan ("PSP")

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 below The intention is to make awards under this plan in 2010

Awards are subject to performance conditions measured over a three year period 75% of the award is dependent on the Total Shareholder Return (TSR) performance of ITV plc, measured against two distinct comparator groups drawn from the FTSE 250 and a specific international industry peer group 25% of the award is dependant on equally weighted strategic performance conditions which include EPS and SOCI targets

Notes *(continued)*

4 Share based payment *(continued)*

There is no vesting for performance in and below median for the portion of the award subject to TSR performance 100% will vest at the upper quartile and vesting will occur on a straight line basis between these points For the portion of the award subject to strategic conditions, 25% will vest if threshold performance is achieved and 100% will vest if maximum performance is achieved, with vesting occurring on a straight line basis between these two points Once vested, awards can be exercised for 12 months Any portion of the award that does not vest or is not exercised will lapse

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

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

The Turnaround Plan (the '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

The awards will vest dependent on various performance conditions 50% of the awards are subject to relative TSR performance of ITV plc measured against a broad comparator group selected from the FTSE 100 (excluding certain industry sectors that are less relevant as a benchmark of performance) 25% of this portion of the award will vest for median performance 100% will vest at the upper quartile, with vesting occurring on a straight line basis between these two points

The balance of the awards is subject to selected strategic performance There are four strategic performance targets relating to share of commercial impacts, revenue growth, adjusted earnings per share and share price, each having an equal weighting 25% of the award relating to each target will vest for threshold performance, with full vesting for achieving maximum performance Between these points awards will vest on a straight line basis

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

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

ITV Commitment Scheme (the 'Scheme')
Under the Scheme, participants must 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 The participants have to hold the shares for the duration of the relevant performance period
Vesting of the matching award is dependent on TSR performance of ITV plc, against the customised FTSE 100 comparator group There is no vesting for performance below median 25% of the award vests at median and 100% at upper quartile Awards will vest on a sliding scale between these points Up to 50% of the matching award will vest at the third anniversary of the date of grant (subject to performance) and the remainder at the fourth anniversary Once vested, awards can be exercised for up to ten years from the date of the grant Any portion of the award that has not vested at the end of the relevant three or four year performance period will lapse

Notes *(continued)*

4 Share based payment *(continued)*

In the event of a change of control, awards may vest based on the extent to which the performance condition has been met in the period since the awards were made, unless it is determined that exceptional financial circumstances have occurred The level of payout in the event of a change of control is capped at a multiple of the original financial amount a participant invests (twice the investment if a change of control occurs in the first year, three times if it occurs in the second year and four times if change of control occurs in the third or fourth year)

The outstanding balance of the awards made under the scheme in 2005 were tested in April 2009 and lapsed where the TSR condition was not met

Exercises can be satisfied by market purchase or by new issue shares No new shares may be issued to satisfy exercises under the terms of the Deferred Share Award Plan or nil-cost options under the Commitment Scheme However it is now Company practice to satisfy all option exercises where possible by using shares purchased in the market and held in the ITV Employees' Benefit Trusts rather than by issuing new shares

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

Scheme name	Date of grant	Share price at grant (pence)	Exercise price (pence)	Expected volatility %	Expected life (years)	Gross dividend yield %	Risk free rate %	Fair value (pence)
Save As You Earn								
ITV – three year	04-Apr-08	65 00	52 00	25 00%	3 25	2 84%	3 93%	17 00
ITV – five year	04-Apr-08	65 00	52 00	25 00%	5 25	2 84%	4 09%	19 00
ITV – three year	17-Jul-09	35 00	28 60	53 00%	3 25	–	2 40%	17 00
ITV – five year	17-Jul-09	35 00	28 60	43 00%	5 25	–	3 10%	18 00
Performance Share Plan								
ITV – three year	01-Jun-09	40 00	–	53 00%	3 00	–	2 10%	30 20
Turnaround plan								
ITV – three year	12-Sep-08	49 90	–	25 00%	2 25	2 96%	5 04%	14 00
ITV – five year	12-Sep-08	49 90	–	25 00%	4 25	2 96%	4 98%	18 00
ITV – three year	02-Oct-08	42 30	–	25 00%	2 25	2 96%	5 04%	12 00
ITV – five year	02-Oct-08	42 30	–	25 00%	4 25	2 96%	4 98%	16 00

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

The awards made under the Commitment Scheme, Performance Share Plan and Turnaround Plan all have market based performance conditions which are taken into account in the fair value calculation using a Monte Carlo pricing model The Black-Scholes model is used to value the Save As You Earn Schemes as these do not have any market performance conditions
Share-based compensation charges totalled £nil in 2009 *(2008 £nil)*

Notes *(continued)*

5 Profit on sale of fixed assets

Profit on sale of fixed assets in 2009 includes £1 1m from the sale of the Company's fixed asset investments in Ambassador Theatre Group with a book value of £1 7m and proceeds in cash of £2 8m received *(2008 £2 5m)*

6 Investment income

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Dividends from shares in group undertakings	**-**	1 8
	-	1 8

7 Interest receivable and similar income

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Interest received from bank deposits	**68 1**	64 6
Interest receivable from amounts owed by group undertakings	**11 4**	13 6
Interest receivable from joint ventures and associates	**0 6**	1 5
Other	**1 0**	6 9
	81 1	86 7

8 Interest payable and similar charges

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Interest payable to group undertakings	**(0 6)**	(0 1)
De-designated swap provision	**-**	3 7
Other loans and swap instruments	**(0 9)**	(5 9)
	(1 5)	(2 3)

Notes *(continued)*

9 Taxation

Analysis of tax credit / (charge) in the year	**Year ended 31 December 2009 £m**	Year ended 31 December 2008 £m
Current tax		
UK corporation tax on profit for the year	**-**	-
Adjustment in respect of prior years	**15 9**	25 2
Total current tax (see below)	**15.9**	25 2
Deferred tax		
Credit / (charge) for the year (see note 15)	**1 2**	(0 8)
Total deferred tax	**1 2**	(0 8)
Tax on profit on ordinary activities	**17 1**	24 4

The current tax credit for the year is higher *(year ended 31 December 2008, credit higher)* than the standard rate of corporation tax in the UK *(year ended 31 December 2009 28%, year ended 31 December 2008 28 5%)* The differences are explained below

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Current tax reconciliation		
Profit on ordinary activities before tax	**53 3**	59 2
Current tax charge at 28% *(2008 28 5%)*	**(14 9)**	(16 9)
Effects of		
Permanent differences and group relief	**(3 1)**	16 8
Timing differences	**(1 4)**	0 1
Utilisation of brought forward tax losses	**19 4**	-
Adjustment in respect of previous periods	**15 9**	25 2
Total current tax credit (see above)	**15 9**	25 2

Potential deferred tax assets, primarily in respect of Loan Relationship Deficits (effectively loans written off) and capital losses (in relation to losses on investments), have not been recognised due to uncertainties as to amount and whether sufficient gain or income will arise in the appropriate form and relevant territory against which such losses could be utilised

Notes *(continued)*

10 Tangible fixed assets

	Land and Buildings Freehold £m	Land and Buildings Leasehold £m	Plant and Equipment £m	Total £m
Cost				
At 1 January 2009 and 31 December 2009	27 2	6 3	4 3	37 8
Depreciation				
At 1 January 2009	8 9	1 2	1 0	11 1
Charge for the year	0 4	0 6	0 6	1 6
Impairment	5 1	4 5	2 3	11 9
At 31 December 2009	14 4	6 3	3 9	24 6
Net book value				
At 31 December 2009	**12 8**	**-**	**0 4**	**13 2**
At 31 December 2008	18 3	5 1	3 3	26 7

During the year an impairment of £6 8m was taken in respect of the Gray's Inn Road site (£4 5m in respect of Leasehold Land and Building and £2 3m in respect of Plant and Equipment) and £5 1m in respect of buildings at Culverhouse Cross to reflect their estimated recoverable amount

Notes *(continued)*

11 Fixed asset investments

	Subsidiary undertakings Equity £m	Subsidiary undertakings Loans £m	Joint ventures and Associated undertakings Equity £m	Joint ventures and Associated undertakings Loans £m	Other investments £m	Total £m
Cost						
At 1 January 2009	2,265 8	249 5	163 8	540 7	10 4	**3,230 2**
Additions	-	-	2 2	-	-	**2 2**
Return of capital	-	-	(6 5)	-	-	**(6 5)**
Disposals and repayments	-	-	-	-	(10 3)	**(10 3)**
Other	-	(0 1)	-	(2 2)	-	**(2 3)**
At 31 December 2009	**2,265 8**	**249 4**	**159 5**	**538 5**	**0 1**	**3,213 3**
Provisions						
At 1 January 2009	1,179 9	23 5	124 7	540 7	8 7	**1,877 5**
Provided / (released) in the year	-	-	-	(2 2)	-	**(2 2)**
Disposals and repayments	-	-	-	-	(8 6)	**(8 6)**
At 31 December 2009	**1,179 9**	**23 5**	**124 7**	**538 5**	**0 1**	**1,866 7**
Net book value						
At 31 December 2009	**1,085 9**	**225 9**	**34 8**	**-**	**-**	**1,346 6**
At 31 December 2008	1,085 9	226 0	39 1	-	1 7	1,352 7

A list of the Company's principal subsidiary undertakings and investments is given in note 20

12 Debtors

	31 December 2009 £m	31 December 2008 £m
Amounts owed by subsidiary undertakings	**533 8**	621 9
Prepayments and accrued income	**0 9**	7 1
Corporation tax	**1 1**	14 5
	535 8	643 5

Notes *(continued)*

13 Creditors: amounts falling due within one year

	31 December 2009 £m	31 December 2008 £m
Amounts owed to subsidiary undertakings	**95 3**	580 4
Unsecured loan notes	**0 4**	0 5
Accruals and deferred income	**6 7**	11 1
	102 4	592 0

14 Derivatives and other financial instruments

Sterling floating rate liabilities

Sterling floating rate liabilities include the £0 35m unsecured loan notes and have a floating cost of six month sterling LIBOR minus 1%

A liability of £3m relating to a disputed payment under a matured interest rate swap contract has been recorded at 31 December 2009 *(31 December 2008 £3m)*

Fair values of financial assets and financial liabilities

The estimated fair value of the Company's financial instruments is set out below

	31 December 2009 Book value £m	31 December 2009 Fair value £m	31 December 2008 Book value £m	31 December 2008 Fair value £m
Financial assets				
Cash	**1,030 2**	**1,030 2**	1,459 0	1,459 0
Loans	**(0 4)**	**(0 4)**	(0 5)	(0 5)
Derivatives				
Interest rate swaps and options	**(0 1)**	**(0.1)**	(0 9)	(0 9)

The fair value of loans is calculated using the discounted LIBOR method

Notes *(continued)*

15 Provisions for liabilities and charges

Provisions for liabilities and charges as at 31 December 2009	£m
Provisions	16 1
Deferred tax liability	0 1
	16 2

The elements of provisions and their movements in the year are as follows

	ITV Digital and ITV Sport Channel £m	Property provisions £m	Total £m
At 1 January 2009	0 2	1 7	**1 9**
Additions in the year	-	14 4	**14 4**
Utilised	(0 2)	-	**(0 2)**
At 31 December 2009	-	**16 1**	**16 1**

Property provisions relate to onerous lease contracts due to empty space created by the significant reduction in head count in 2009 Utilisation will be over the anticipated life of these leases or earlier if exited

Movements in the Company's deferred tax liability are as follows

	Deferred taxation £m
Deferred tax liability at 1 January 2009	1 3
Deferred tax credit for the year	(1 2)
Deferred tax liability at 31 December 2009	**0 1**

The elements of deferred tax are as follows	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Difference between accumulated depreciation and capital allowances	**0 1**	1 3

16 Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Capital contribution reserve £m	Other reserves £m	Profit & loss account £m	Total £m
At 1 January 2009	33 9	161 5	1,408 2	762 9	520 2	**2,886 7**
Retained profit for year	-	-	-	-	70 4	**70 4**
Equity dividends paid	-	-	-	-	(150 0)	**(150 0)**
At 31 December 2009	33 9	161 5	1,408 2	762 9	440 6	**2,807 1**

Other reserves

At 31 December 2009, other reserves of the Company, which were non-distributable, comprised (a) £191 6m *(31 December 2008 £191 6m)* being the remaining balance of special reserves created on the cancellation of the share premium account in previous years, (b) £455 6m *(31 December 2008 £455 6m)* being the amounts arising on the application of section 131(2) of the Companies Act 1985, (c) £100 0m *(31 December 2008 £100 0m)* reserve created on the transfer of an investment within the Group, and (d) £15 7m *(31 December 2008 £15 7m)* being a capital redemption reserve created on conversion of Preference shares to Ordinary shares

17 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 and certain other Group companies have entered into an arrangement for a joint bank account with Barclays Bank PLC and are jointly and severally liable in respect of any overdraft arising on the Group joint bank account At 31 December 2009 this contingent liability amounted to £nil *(31 December 2008 £nil)*

The Company has guaranteed the bonds which are now held by its parent undertaking

In the opinion of the Directors, adequate allowance has been made in respect of these matters

18 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows	**31 December 2009 Land & Buildings £m**	31 December 2008 Land & Buildings £m
Operating leases which expire		
Less than one year	**1 3**	-
After one year but within five years	**-**	1 3
After five years	**4 8**	4 8
	6 1	6 1

Notes *(continued)*

19 Principal subsidiary undertakings and investments

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
ITV Broadcasting Limited	Broadcast of television programmes
ITV Consumer Limited	Development of platforms, broadband, transactional and mobile services
ITV Studios Limited	Production of television programmes
ITV Network Limited [1]	Scheduling and commissioning television programmes
ITV Services Limited	Provision of services for other companies within the Group
ITV2 Limited	Operation of digital TV channels
ITV Digital Channels Limited	Operation of digital TV channels
ITV Holdings Limited	Holding Company
12 Yard Productions (Partnership)	Production of television programmes
3sixtymedia Limited (80% owned)	Supplier of facilities for television productions
Carlton Finance Limited	Investment Company
GMTV Limited	Production and broadcast of breakfast time television under national Channel 3 licence
Granada Limited	Holding Company
ITV Global Entertainment Limited	Rights ownership and distribution of television programmes and films
ITV Global Entertainment, Inc [3] (formerly Granada International Media, Inc)	Distribution of television programmes
Granada Media Australia Pty Limited [2]	Production of television programmes
ITV Studios, Inc (formerly Granada Entertainment USA) [3]	Production of television programmes
Granada Produktion fur Film und Fernsehen GmbH [4]	Production of television programmes
Granada Ventures Limited	Production and distribution of video and DVD products
Imago TV Film and Fernsehproduktion GmbH [4] (67 72% owned)	Production of television programmes
Jaffe/Braunstein Entertainment LLC (51% owned) [5]	Production of television programmes
SDN Limited	Operation of Freeview Multiplex A
Silverback AB [5]	Production and distribution of television programmes

1 Interest in Company limited by guarantee
2 Incorporated and registered in Australia
3 Incorporated and registered in USA
4 Incorporated and registered in Germany
5 Incorporated and registered in Sweden

Notes (continued)

20 Principal subsidiary undertakings and investments (continued)

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
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	b	50 00	50 00	European cinema advertising
STV Group plc *	c	7 36	7 36	Television broadcasting in central and north Scotland
Technicolor Cinema Advertising LLC**	b	50 00	50 00	US cinema advertising
Crackit Productions Limited	a	25 00	25 00	Production of television programmes
Electric Farm Entertainment LLC **	c	10 00	10 00	Digital studio Company

* Incorporated and registered in Scotland
** Incorporated and registered in USA

a Associated undertaking
b Joint venture
c Trade investment

21 Ultimate parent Company

At 31 December 2009 the Company's immediate and ultimate parent company was ITV plc, a Company incorporated and registered in England and Wales

The largest and smallest group in which the results of the Company were consolidated was that headed by ITV plc The consolidated accounts of ITV plc are available to the public and may be obtained from the Company Secretary, The London Television Centre, Upper Ground, London, SE1 9LT