Financial Statements 2009

Consolidated income statement for the year ended 31 December

	Note	Group 2009 £m	Group 2008 £m
Revenue	1	**830.3**	906.1
Cost of transmission and sales	2	**(778.7)**	(846.9)
Gross profit		**51.6**	59.2
Other operating expenditure	2	**(47.7)**	(59.7)
Operating profit/(loss)	3	**3.9**	(0.5)
Financial income	5	**11.1**	25.4
Financial expenses	5	**(13.1)**	(11.7)
Net finance costs		**(2.0)**	13.7
Share of profit/(loss) of investments accounted for using the equity method, net of income tax	8	**0.3**	(3.3)
Profit before income tax		**2.2**	9.9
Income tax expense	6	**(1.9)**	(8.1)
Profit for the year		**0.3**	1.8
Attributable to:			
Channel Four Television Corporation		**0.3**	2.1
Minority interest		**–**	(0.3)
Profit for the year		**0.3**	1.8

Statement of comprehensive income for the year ended 31 December

	Note	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Profit/(loss) for the year		**0.3**	1.8	**(46.5)**	(7.2)
Net actuarial losses in pension scheme	20	**(23.7)**	(13.7)	**(23.7)**	(13.7)
Deferred tax on pension scheme recognised directly in equity	12	**6.6**	3.8	**6.6**	3.8
Revaluation of freehold land and buildings	10	**(1.4)**	(8.2)	**(1.4)**	(8.2)
Other comprehensive cost for the year		**(18.5)**	(18.1)	**(18.5)**	(18.1)
Total comprehensive cost for the year		**(18.2)**	(16.3)	**(65.0)**	(25.3)
Attributable to:					
Channel Four Television Corporation		**(18.2)**	(16.0)	**(65.0)**	(25.3)
Minority interest		**–**	(0.3)	**–**	–
Total comprehensive cost for the year		**(18.2)**	(16.3)	**(65.0)**	(25.3)

Statement of changes in equity for the year ended 31 December

	Channel 4 Retained earnings £m	Other segments Retained earnings £m	**Group Retained earnings £m**	Channel 4 Revaluation reserve £m	Attributable to minority interest £m	**Group reserves total £m**
At 1 January 2008	474.9	(33.8)	441.1	9.9	0.7	451.7
Profit/(loss) for the year	(7.2)	9.3	2.1	–	–	2.1
Other comprehensive (cost) for the year	(9.9)	–	(9.9)	(8.2)	–	(18.1)
Total comprehensive (cost)/income for the year	**(17.1)**	**9.3**	**(7.8)**	**(8.2)**	**–**	**(16.0)**
Transfer from revaluation reserve	0.3	–	0.3	(0.3)	–	–
Loss for the year attributable to minority interest	–	–	–	–	(0.3)	(0.3)
At 31 December 2008	**458.1**	**(24.5)**	**433.6**	**1.4**	**0.4**	**435.4**
At 1 January 2009	458.1	(24.5)	433.6	1.4	0.4	435.4
Profit/(loss) for the year	(46.5)	46.8	0.3	–	–	0.3
Other comprehensive (cost) for the year	(17.1)	–	(17.1)	(1.4)	–	(18.5)
Total comprehensive (cost)/income for the year	**(63.6)**	**46.8**	**(16.8)**	**(1.4)**	**–**	**(18.2)**
Transactions with owners recognised directly in equity:						
Dividends paid to equity owners	–	–	–	–	(0.4)	(0.4)
At 31 December 2009	**394.5**	**22.3**	**416.8**	**–**	**–**	**416.8**

Balance sheets as at 31 December

	Note	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Assets					
Investments in subsidiaries	7	**–**	–	**–**	–
Investments accounted for using the equity method	8	**28.9**	30.4	**–**	–
Equity investments	9	**2.5**	2.2	**–**	–
Freehold land and buildings	10	**42.0**	49.0	**42.0**	49.0
Fixtures, fittings and equipment	10	**8.1**	12.4	**8.1**	12.4
Intangible assets	11	**7.0**	8.4	**4.5**	5.1
Deferred tax assets	12	**16.0**	10.0	**15.7**	9.5
Total non-current assets		**104.5**	112.4	**70.3**	76.0
Programme and film rights and other inventories	13	**201.9**	209.1	**182.3**	188.5
Trade and other receivables	14	**144.6**	114.8	**114.9**	130.8
Current tax assets	14	**0.2**	–	**3.2**	1.8
Other financial assets	15	**10.4**	52.5	**10.4**	52.5
Cash and cash equivalents	15	**201.9**	153.9	**201.9**	152.8
Total current assets		**559.0**	530.3	**512.7**	526.4
Total assets		**663.5**	642.7	**583.0**	602.4
Liabilities					
Employee benefits – pensions	20	**(44.9)**	(21.1)	**(44.9)**	(21.1)
Provisions	17	**(7.3)**	(1.9)	**(7.3)**	(1.9)
Deferred tax liabilities	12	**(4.0)**	(5.8)	**(1.3)**	(2.7)
Total non-current liabilities		**(56.2)**	(28.8)	**(53.5)**	(25.7)
Trade and other payables	16	**(172.8)**	(157.6)	**(117.3)**	(100.5)
Current tax liabilities	16	**–**	(3.7)	**–**	–
Provisions	17	**(17.7)**	(17.2)	**(17.7)**	(16.7)
Total current liabilities		**(190.5)**	(178.5)	**(135.0)**	(117.2)
Total liabilities		**(246.7)**	(207.3)	**(188.5)**	(142.9)
Net assets		**416.8**	435.4	**394.5**	459.5
Retained earnings		**416.8**	434.0	**394.5**	458.1
Revaluation reserve		**–**	1.4	**–**	1.4
Total equity		**416.8**	435.4	**394.5**	459.5
Equity attributable to:					
Channel Four Television Corporation		**416.8**	435.0	**394.5**	459.5
Minority interest		**–**	0.4	**–**	–
Total equity		**416.8**	435.4	**394.5**	459.5

The financial statements on pages 92 to 124 were approved by the Board of members on 24 March 2010 and were signed off on its behalf by:

Lord Burns
Chairman

Anne Bulford
Interim Chief Executive

The notes on pages 100 to 124 form part of these financial statements.

Cashflow statements for the year ended 31 December

	Note	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Cashflow from operating activities					
Profit/(loss) for the year		**0.3**	1.8	**(46.5)**	(7.2)
Adjustments for:					
Income tax expense/(credit)	6	**1.9**	8.1	**(15.1)**	(2.6)
Depreciation	10	**5.4**	7.0	**5.4**	7.0
Amortisation of intangibles	11	**2.2**	1.9	**1.4**	1.1
Net financial expense/(income)	5	**2.0**	(13.7)	**2.2**	(14.2)
Share of profit from investments accounted for using the equity method, net of income tax	8	**0.3**	3.3	**–**	–
Impairment of property, plant and equipment and developed software	10, 11	**6.2**	2.3	**6.2**	2.3
Impairment of investment in joint venture	8	**–**	3.8	**–**	–
Impairment of equity investments	9	**0.2**	–	**–**	–
Reversal of impairment in UK VOD LLP	8	**(1.9)**	–	**–**	–
Operating cashflow before changes in working capital and provisions		**16.6**	14.5	**(46.4)**	(13.6)
Changes in working capital:					
Decrease/(increase) in programme and film rights and other inventories	13	**7.2**	(2.3)	**6.2**	(2.1)
(Increase)/decrease in trade and other receivables		**(31.1)**	18.1	**25.2**	42.7
Increase/(decrease) in trade and other payables		**15.4**	(23.0)	**16.9**	(21.9)
Increase in provisions (excluding unwinding of discounts)	17	**4.3**	1.7	**4.8**	1.2
Cash generated from operations		**12.4**	9.0	**6.7**	6.3
Tax (paid)/repaid		**(7.2)**	(4.0)	**2.8**	(4.1)
Net cashflow from operating activities		**5.2**	5.0	**9.5**	2.2
Cashflow from investing activities					
Investment in Joint Venture	8	**–**	(3.6)	**–**	–
Acquisition of equity investments	9	**(0.5)**	(0.1)	**–**	–
Purchase of property, plant and equipment	10	**(1.7)**	(3.6)	**(1.7)**	(3.6)
Internally developed software	11	**(0.8)**	(2.2)	**(0.8)**	(2.2)
Interest received		**2.3**	10.4	**2.3**	10.4
Dividends received	8	**1.8**	2.0	**–**	–
Distribution from UK VOD LLP	8	**1.9**	–	**–**	–
Decrease in other financial assets	15	**40.0**	6.0	**40.0**	6.0
Net cashflow from investing activities		**43.0**	8.9	**39.8**	10.6
Cashflow from financing activities					
Net cashflow from financing activities		**–**	–	**–**	–
Net increase in cash and cash equivalents		**48.2**	13.9	**49.3**	12.8
Cash and cash equivalents at 1 January		**153.9**	139.2	**152.8**	139.2
Effect of exchange movements on cash held		**(0.2)**	0.8	**(0.2)**	0.8
Cash and cash equivalents at 31 December		**201.9**	153.9	**201.9**	152.8

Significant accounting policies

Channel Four Television Corporation (Channel 4) is a statutory corporation domiciled in the United Kingdom. The consolidated financial statements of Channel 4 for the year ended 31 December 2009 comprise Channel 4 and its subsidiaries (together referred to as the 'group') and the group's investments accounted for using the equity method. Channel 4's financial statements present information relating to Channel 4 as a separate entity and not about its group.

The financial statements were authorised for issue by the members on 24 March 2010. The registered office of Channel 4 is 124 Horseferry Road, London, SW1P 2TX.

Statement of compliance

The group and Channel 4 financial statements have been prepared and approved by the members in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). On publishing the Channel 4 financial statements here together with the group financial statements, Channel 4 is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except that freehold properties and derivative financial instruments are stated at fair value; and are presented in pounds sterling, rounded to the nearest one hundred thousand. The financial statements have been prepared in a form as directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury and meet the disclosure and measurement requirements, in so far as they are applicable, of the Companies Act 2006 and Adopted IFRSs.

The preparation of financial statements in conformity with Adopted IFRSs requires the use of estimation and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of Adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Programme and film rights
Programme and film rights are included in the balance sheet at the lower of cost and net realisable value. In estimating net realisable value, consideration is given to the contracted sales price and projected costs to complete for programmes in production, and when the programmes and films are scheduled for transmission. Programmes which, taking into account viewing expectations, in management's judgement are unlikely to be transmitted or sold are expensed to the income statement (note 13).

Provisions for onerous contracts
A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability (note 17).

Employee post retirement benefit obligations
The group operates a defined benefit pension plan. The obligations under the plan are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from the members. The estimation of this obligation is dependent upon numerous assumptions, including discount rates, return on assets, salary progression and mortality rates. These assumptions vary from time to time according to prevailing economic and social conditions. Details of assumptions used are provided in note 20.

Income tax
The actual tax on the result for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for tax to be paid on past profits which are recognised in the financial statements. The group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior years' tax liabilities could be different from the estimates reflected in the financial statements. Further analysis of income tax is provided in note 6.

Accounting policies

A summary of the group and Channel 4 accounting policies that are material in the context of the accounts is set out below. The accounting policies have been applied consistently to all periods presented in these financial statements.

The following new standards became effective in 2009 and have been applied by the group in the financial statements:

— IFRS 8 'Operating Segments'

— IAS 1 'Presentation of Financial Statements'

The adoption of IFRS 8 has had no material impact on the operating segments reported or on the financial statements of the group. Although the basis for the identification of segments has changed under IFRS 8, management believes the segmentation continues to be appropriate under the new standard.

IFRS 8 requires that the measures of revenue and profit which are reported to the Chief Operating Decision-maker be reported in the financial statements for each segment. As a result, the principal change on adoption of the new standard is the extension of the disclosure of performance by operating segment from Operating profit/(loss) to Profit/(loss) before tax (note 1).

Under IAS 1, the group is required to present both a statement of comprehensive income and a statement of changes in equity as primary financial statements. The statement of comprehensive income replaces the former statement of recognised income and expense. The statement of changes in equity brings the former reserves note to the forefront of the accounts as a primary financial statement.

The following amendments have been endorsed by the EU and will become effective for the group for the year beginning 1 January 2010:

— Revised IFRS 3 'Business Combinations'

— Amended IAS 27 'Consolidated and Separate Financial Statements'

The following amendment had not yet been endorsed but is expected to become effective for the year beginning 1 January 2010:

— Amended IFRS 5 'Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as a result of Improvements to IFRSs 2008'

The members do not anticipate that the adoption of these amendments in 2010 will have a material impact on the financial statements of the group.

Basis of consolidation

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. Investments accounted for using the equity method comprise associates and joint ventures.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases or until the associate is classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement. The financial statements include the group's share of total recognised gains and losses using the equity method of accounting from the date that joint control commences to the date it ceases or until the jointly controlled entity is classified as held for sale in accordance with IFRS 5.

As explained in note 8, certain of the group's joint ventures are not-for-profit organisations. Cost contributions to those organisations are charged to the income and expenditure account in the period that they occur.

Intragroup balances and any unrealised gains and losses or income and expense arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the equity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition

All revenues are stated net of advertising agency commissions where these are borne and paid by advertisers, and value added tax. Revenues are recognised when services have been performed, persuasive evidence of an arrangement exists and when collectibility is reasonably assured.

Television advertising revenue is recognised on transmission of the advertisement.

Revenue from sponsorship of the group's programmes and films is recognised on a straight line basis in accordance with the transmission schedule for each sponsorship campaign.

Online advertising revenue is recognised over the period of display of the advertisement.

Revenue from the sale of film and television rights is recognised on the later of signature of the contract, and the start of the licence period, provided that the film or programme rights have been made available for delivery.

Consumer products revenues are recognised when DVDs are delivered to retailers, net of a provision for anticipated returns, or for 4-branded events, when the event takes place.

Subscription fee and similar revenues are recognised over the period of the subscription.

Revenue from the provision of premium rate telephony services is recognised in line with contestant call volumes.

Revenues are recognised from barter transactions involving advertising when the services exchanged are dissimilar, and are measured with reference to the fair value of the advertising provided.

Segment reporting

Segments are reported in accordance with IFRS 8 'Operating Segments', where the Chief Operating Decision-maker has been identified as the Channel 4 Board, and reportable segments follow management reporting to the Board in order to make decisions on the allocation of resources within the group. Segments are aggregated only where the nature of the products and services provided is similar and where the segments have similar economic characteristics.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary timing differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and jointly controlled entities 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, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Investments in subsidiaries

Investments in subsidiaries are consolidated in the group balance sheet from the date that control commences to the date it ceases.

Significant accounting policies continued

Investments in associates and interests in jointly controlled entities

Investments in associates and interests in jointly controlled entities are recognised initially at cost. The carrying amount is subsequently increased or decreased to recognise the share of total recognised gains or losses, or share of profit or loss if these are the same, after the date of acquisition or investment.

Equity investments

Equity investments represent equity holdings without significant influence. Equity investments are normally carried at fair value. Where an active market value is not available, the members believe that valuation at cost less provision for impairment is a reasonable approximation of fair value.

Property, plant and equipment

Freehold land and buildings are stated at open market valuation (fair value) and are revalued at 31 December each year. Directions from the Secretary of State for Culture, Media and Sport require freehold land and buildings to be valued at current value. The members believe that open market value approximates to current value.

Any gain arising from a change in fair value is recognised directly in equity, unless the gain reverses an impairment of the same asset previously recognised in the income statement, in which case it is also recognised in the income statement. Any loss arising from a change in fair value is charged directly to equity to the extent of any credit balance existing in the revaluation surplus of that asset. Otherwise, the loss is recognised in the income statement.

Fixtures, fittings and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost or valuation of the asset evenly, on a straight line basis, over its estimated useful life. Useful lives are estimated taking into account the rate of technological change and the intensity of use of each asset. Freehold land is not depreciated. The annual rates used for this purpose are as follows:

Freehold buildings	2%
Computer hardware	25%–50%
Office equipment and fixtures and fittings	25%
Technical equipment	20%–25%

The carrying values of property, plant and equipment are reviewed for impairment when events or other changes in circumstances indicate that the carrying values may not be recoverable. Where an indicator of impairment exists, an estimate is made of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

Where applicable, property, plant and equipment held under finance leases are depreciated over the period of the lease.

Intangible assets and goodwill

Expenditure on internally developed computer software applications is capitalised to the extent that the project is technically and commercially feasible, sufficient resources exist to complete the development and it is probable that the asset will generate future economic benefits. The expenditure capitalised includes the cost of software licences, direct staff costs and consultancy costs.

Amortisation on capitalised software development costs is charged to the income statement on a straight line basis over the estimated useful lives of the assets from the date that they are available for use. For capitalised computer software, the estimated useful life is between two and five years.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and any provision for impairment. Where assets are considered to have finite lives, amortisation is charged to the income statement on a straight line basis over their estimated useful life.

All business combinations are accounted for by applying the purchase method. Identifiable intangible assets are those which can be sold separately or arise from legal rights regardless of whether those rights are separable. Goodwill represents amounts arising on the acquisition of subsidiaries, associates or jointly controlled entities where a difference exists between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill in respect of associates and jointly controlled entities is included in the carrying value of the associate or jointly controlled entity within which benefits are expected to accrue as a result of the acquisition.

Goodwill is stated at cost less impairment charges. Goodwill is not amortised but is tested annually for impairment whether or not an indication of impairment exists.

Impairment

An impairment charge is recognised if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment charges are recognised in the income statement.

The carrying values of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined by discounting the future net cashflows for the specific asset, or if the asset does not generate independent cashflows, the discounted future net cashflows for the cash generating unit to which it belongs.

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, including projected performance, the discount rate and long-term growth rate applied, affects the amounts reported in the financial statements.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairments

An impairment charge in respect of freehold land and buildings is reversed in the event of a subsequent increase in fair value. Such a gain is recognised in the income statement.

An impairment charge in respect of goodwill is not reversed.

In respect of other assets, an impairment charge is reversed when there is an indication that the impairment charge may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Programme rights and other inventories

Inventories are valued at the lower of cost and net realisable value. Programme and film rights are stated at direct cost incurred up to the balance sheet date after making provision for programmes and films which are unlikely to be transmitted or sold. Direct cost is defined as payments made or due to programme suppliers.

Development expenditure is included in broadcast programme and film rights after charging any expenditure that is not expected to lead to a commissioned programme directly to the income statement.

The cost of broadcast programme and film rights is wholly written off on first transmission, except for certain feature films and certain acquired series, the costs of which are written off over more than one transmission in line with expected revenue.

Developed film rights are stated at direct cost incurred up to the balance sheet date. Provision is made for any excess over the value of the film held in inventories and the revenues the film is anticipated to earn. The main assumptions employed to estimate future revenues are minimum guaranteed contracted revenues and sales forecasts by territory.

Film rights are amortised in the income statement in the proportion that the revenue in the year bears to the estimated ultimate revenue, after provision for any anticipated shortfall.

Other inventories principally comprise DVDs held within the 4Rights segment, and are stated at the lower of cost and net realisable value.

Trade and other receivables

Trade receivables are reflected net of an estimated impairment for doubtful accounts.

Other financial assets

Other financial assets comprise deposits of more than three months duration and financial instruments with debit balances and are stated at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits of less than three months duration from the date of placement.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Derivative financial instruments

The group transacts in a number of currencies as well as Sterling, and is a net purchaser of Euros. Certain exposures to fluctuations in exchange rates are managed by transactions in the forward foreign exchange markets. These derivative financial instruments are stated at fair value based on quoted market rates. Changes in the fair value of these derivative financial instruments are recognised in the income statement. The group does not hold or issue derivative financial instruments for trading purposes.

The group has not sought to apply hedge accounting treatment for any of its foreign exchange hedging activity in any of the periods presented. As a result, changes in the fair value of hedging instruments have been recognised in the income statement as they have arisen.

Where the group has identified forward foreign exchange derivative instruments within certain contracts (embedded derivatives), these have been included in the balance sheet at fair value. Fair value of these derivatives is determined by reference to quoted market rates. The value of the derivatives is reviewed on an annual basis or when the relevant contract matures.

Leases

Assets held under finance leases (those in which the group assumes substantially all the risks and rewards of ownership) are treated as tangible fixed assets and depreciation is charged accordingly. The capital elements of future obligations are recorded as liabilities. Interest is charged to the income statement over the period of the lease in proportion to the capital outstanding.

All other leases are treated as operating leases. The rental costs arising from operating leases are charged to the income statement in the year in which they are incurred.

Employee benefits – pensions

Defined benefit scheme
The group maintains a defined benefit pension scheme. The net obligation under the scheme is calculated by estimating the future benefits that employees have earned in return for their service in the current and prior periods, discounting to determine its present value and deducting the fair value of scheme assets at bid price. The assumed discount rate for the liabilities is the current rate of return of high quality corporate bonds with similar maturity dates. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses that arise in calculating the group's obligation in respect of the plan are recognised directly in equity within the statement of comprehensive income in the period in which they arise. The current service cost, interest cost and return on plan assets are recognised in the income statement in the current period.

Defined contribution scheme
Obligations under the group's defined contribution scheme are recognised as an expense in the income statement as incurred.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Before provisions are established in relation to onerous contracts, impairment reviews are carried out and impairment charges recognised on assets dedicated to the contract.

Notes to the financial statements

1. Segment reporting

The reportable segments are shown in accordance with IFRS 8 'Operating Segments' which came into effect in 2009. The segments are measured in a manner consistent with the management reports reviewed by the Board, which is considered the Chief Operating Decision-maker (page 131). Segment revenues include any intersegment sales and results are presented to pre-tax profit. The segments are considered principally from a product and regulatory perspective when deciding how to allocate resources within the group.

Segments are aggregated where economic characteristics and the nature of the products and services are similar and the Board considers them in aggregate when evaluating management performance and allocating resources. The segments reported are the same as those reported in previous years, as the quantitative thresholds set remain the same and there have been no major changes to the group structure during the year. Summaries of the principal activities, products and services and financial performance for each segment are provided within the Report of the members on pages 84 and 86.

Segment results, assets and liabilities include items directly attributable to a segment, along with certain costs which are allocated on an equitable basis in accordance with the group's cost allocation policies which are reviewed under arrangements required under Schedule 9 of the Communications Act (page 129). All costs and revenues are fully allocated across the segments. Fixed assets are held in Channel 4 and costs of these assets are recharged to other segments within operating expenditure.

Inter-segment pricing is determined on an arm's length basis. There are no segments selling primarily or exclusively to other segments of the group.

Revenues from transactions with individual external customers comprising more than 10% of the group's revenues in 2009 were £97 million and £95 million (2008: £96 million and £89 million). The group's major customers are all media buying agencies and these revenues are attributable to the Channel 4, 4Channels and Future Media segments.

Approximately 2% of the group's revenues (2008: 1%) are attributable to external customers outside the UK and these are therefore not separately presented.

Reconciliations to group profit for the year and to group net assets at the balance sheet date are included in the tables below.

Year ended 31 December 2009	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other £m	Eliminations £m	Group £m
Revenue							
External sales	575.1	181.3	43.9	25.8	4.2	–	830.3
Inter-segment sales	–	–	0.9	7.0	2.2	(10.1)	–
Total revenue	**575.1**	**181.3**	**44.8**	**32.8**	**6.4**	**(10.1)**	**830.3**
Result							
Gross profit/(loss)	(15.6)	54.2	11.7	6.2	(4.9)	–	51.6
Other operating expenditure	(43.8)	(0.7)	(0.2)	(3.0)	–	–	(47.7)
Operating profit/(loss)	**(59.4)**	**53.5**	**11.5**	**3.2**	**(4.9)**	**–**	**3.9**
Financial income	10.5	0.1	0.3	–	0.2	–	11.1
Financial expense	(12.7)	(0.2)	–	(0.2)	–	–	(13.1)
Net finance costs	**(2.2)**	**(0.1)**	**0.3**	**(0.2)**	**0.2**	**–**	**(2.0)**
Share of profit of investments accounted for using the equity method net of income tax	–	–	–	–	0.3	–	0.3
Profit/(loss) before tax	**(61.6)**	**53.4**	**11.8**	**3.0**	**(4.4)**	**–**	**2.2**
Income tax expense							(1.9)
Profit for the year							**0.3**
Other information							
Capital additions (notes 10 and 11)	1.7	–	–	–	–	–	1.7
Depreciation (note 10)	5.4	–	–	–	–	–	5.4
Amortisation (note 11)	1.4	–	–	–	0.8	–	2.2
Impairments (notes 9 and 10)	6.2	–	–	–	0.2	–	6.4
Reversal of impairment (note 8)	–	–	–	1.9	–	–	1.9

As at 31 December 2009	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other £m	Eliminations £m	Group £m
Balance sheet							
Segment assets	583.0	39.4	61.9	4.8	59.8	(85.4)	663.5
Segment liabilities	(188.5)	(31.3)	(22.3)	(18.1)	(71.9)	85.4	(246.7)
Net assets/(liabilities)	**394.5**	**8.1**	**39.6**	**(13.3)**	**(12.1)**	**–**	**416.8**

Notes to the financial statements continued

1. Segment reporting (continued)

Year ended 31 December 2008	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other* £m	Eliminations £m	Group £m
Revenue							
External sales	668.7	175.0	33.7	26.0	2.7	–	906.1
Inter-segment sales	–	–	0.9	7.4	6.5	(14.8)	–
Total revenue	**668.7**	**175.0**	**34.6**	**33.4**	**9.2**	**(14.8)**	**906.1**
Result							
Gross profit/(loss)	11.3	42.2	10.8	(1.0)	(4.1)	–	59.2
Other operating expenditure	(35.3)	(1.1)	(1.9)	(5.8)	(15.6)	–	(59.7)
Operating profit/(loss)	**(24.0)**	**41.1**	**8.9**	**(6.8)**	**(19.7)**	**–**	**(0.5)**
Financial income	21.1	0.3	1.5	0.2	2.3	–	25.4
Financial expense	(7.0)	(4.0)	–	(0.7)	–	–	(11.7)
Net finance costs	**14.1**	**(3.7)**	**1.5**	**(0.5)**	**2.3**	**–**	**13.7**
Share of profit of investments accounted for using the equity method net of income tax	–	–	–	–	(3.3)	–	(3.3)
Profit/(loss) before tax	**(9.9)**	**37.4**	**10.4**	**(7.3)**	**(20.7)**	**–**	**9.9**
Income tax expense							(8.1)
Profit for the year							**1.8**
Other information							
Capital additions (notes 10 and 11)	5.8	–	–	–	–	–	5.8
Depreciation (notes 10)	7.0	–	–	–	–	–	7.0
Amortisation (note 11)	1.1	–	–	–	0.8	–	1.9
Impairments (notes 8, 10 and 11)	2.3	–	–	–	3.8	–	6.1

As at 31 December 2008	Channel 4 £m	4Channels £m	4Rights £m	Future Media £m	Other* £m	Eliminations £m	Group £m
Balance sheet							
Segment assets	602.4	23.9	50.2	3.6	84.1	(121.5)	642.7
Segment liabilities	(142.9)	(58.8)	(19.3)	(24.9)	(82.9)	121.5	(207.3)
Net assets/(liabilities)	**459.5**	**(34.9)**	**30.9**	**(21.3)**	**1.2**	**–**	**435.4**

During 2008 the group made the decision to exit its 4Radio venture (included within 'Other'). As this undertaking did not constitute a reportable segment on the basis of materiality it was not disclosed as a discontinued operation.

Notes to the financial statements continued

2. Total operating expenditure

Cost of transmission and sales

	Programme and other content £m	Transmitter and regulatory costs: Analogue £m	Transmitter and regulatory costs: Digital £m	Indirect programme costs £m	Cost of sales £m	Cost of marketing £m	Total £m
2009							
Channel 4	471.9	18.8	37.5	22.0	20.6	19.9	590.7
4Channels	78.2	–	31.0	4.5	5.7	7.7	127.1
4Rights	–	–	–	0.2	30.1	2.8	33.1
Future Media	0.3	–	0.9	14.9	9.2	1.3	26.6
Other	5.8	–	0.3	0.2	4.4	0.6	11.3
Eliminations	(7.9)	–	–	–	(2.2)	–	(10.1)
Group continuing operations	**548.3**	**18.8**	**69.7**	**41.8**	**67.8**	**32.3**	**778.7**
2008							
Channel 4	516.3	20.2	35.5	34.3	25.4	25.7	657.4
4Channels	85.8	–	27.1	4.3	4.8	10.8	132.8
4Rights	–	–	–	–	21.1	2.7	23.8
Future Media	0.4	–	1.1	23.0	7.9	2.0	34.4
Other	3.5	–	–	1.7	7.9	0.2	13.3
Eliminations	(7.4)	–	–	–	(7.4)	–	(14.8)
Group continuing operations	**598.6**	**20.2**	**63.7**	**63.3**	**59.7**	**41.4**	**846.9**

Programme and other content classified as 'Other' relates to expenditures on 4iP and cross-platform activities which exploit and enhance programme content across online distribution channels. Indirect programme costs classified as 'Future Media' include certain other expenditures on digital media content.

Other operating expenditure

	2009 £m	2008 £m
Restructuring costs	**(2.1)**	(6.7)
Business development expenditure	**–**	(8.1)
Depreciation and amortisation (notes 10 and 11)	**(7.6)**	(8.9)
Impairments (notes 8, 9, 10 and 11)	**(6.4)**	(6.1)
Reversal of impairment of investment in UK VOD LLP (note 8)	**1.9**	–
Provision for onerous property leases	**(6.2)**	–
Other administrative expenses	**(27.3)**	(29.9)
Total other operating expenditure	**(47.7)**	(59.7)

3. Operating profit/(loss)

Other operating expenditure includes:

	2009 £m	2008 £m
Depreciation of fixed assets (note 10)	**5.4**	7.0
Amortisation of intangible assets (note 11)	**2.2**	1.9
Impairment of investments (notes 8 and 9)	**0.2**	3.8
Impairment of freehold land and building (note 10)	**4.8**	–
Impairment of fixtures, fittings and equipment and internally developed software (notes 10 and 11)	**1.4**	2.3
Reversal of impairment of investment in UK VOD LLP (note 8)	**(1.9)**	–
Restructuring costs	**2.1**	6.7
Research and development (page 89)	**5.3**	9.5
Members' remuneration (page 133)	**3.9**	3.4
Operating lease rentals (note 19)	**1.3**	2.9

In accordance with the exemption available under section 408 of the Companies Act 2006 Channel 4 has not presented its own income statement. Within the profit for the year of £0.3 million (2008: profit of £1.8 million) recorded in the consolidated income statement, a loss of £46.5 million (2008: £7.2 million) results from Channel 4.

Restructuring costs relate to the costs of employees working their notice following the 2008 restructuring programme to increase the operational efficiency of the group and to additional severance costs paid to employees during the year.

Auditors' remuneration
Fees in respect of services provided by the auditors were:

	2009 £000	2008 £000
Audit of these financial statements	**67**	66
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**63**	63
Other audit related and assurance	**82**	54
Total audit and assurance	**212**	183
Other services relating to taxation	**64**	35
Services relating to corporate finance transactions	**201**	–
All other services	**27**	108
Total other services	**292**	143
Auditors' remuneration	**504**	326

In addition to the above services £21,000 (2008: £21,000) was paid to the group's auditors who acted as auditors to the Channel Four Television Staff Pension Plan.

The appointment of auditors to the Channel Four Television Staff Pension Plan and the fees paid in respect of those audits are agreed by the trustees of the Plan, who act independently from the management of the group.

4. Employee expenses and information

A detailed analysis of members' remuneration, including salaries and performance-related bonuses, is provided in the Report on members' remuneration on pages 132-135.

The direct costs of all employees, including members, appear below:

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Aggregate gross salaries	**47.3**	55.3	**34.2**	35.2
Employer's national insurance contributions	**5.0**	5.9	**3.3**	3.7
Employer's defined benefit pension contributions (note 20)	**4.9**	4.8	**4.6**	4.3
Employer's defined contribution pension contributions (note 20)	**0.3**	0.2	**0.3**	0.1
Total direct costs of employment	**57.5**	66.2	**42.4**	43.3

In addition to the above, in 2008 £6.7 million costs were accrued in respect of the restructuring programme to increase operational efficiency within the group (note 17). During 2009 a further £1.6 million was paid to employees leaving under the restructuring programme.

The average number of employees, including executive members, was as follows:

	2009 Number	2008 Number
Channel 4		
Programme commissioning	**146**	190
Transmission and engineering	**17**	36
Corporate affairs and press office	**29**	39
Advertising and sponsorship sales and research	**97**	111
Corporate and strategy	**24**	26
Information systems	**28**	39
Marketing and creative services	**28**	35
Finance, human resources and facilities management	**51**	57
	420	533
4Channels	**106**	132
Future Media	**105**	146
4Rights	**23**	22
Other	**42**	72
	276	372
Group total	**696**	905
Permanent employees	**664**	846
Contract staff	**32**	59
	696	905
Male	**313**	415
Female	**383**	490
	696	905

Closing headcount for the year was 694. Average headcount has reduced in 2009 compared with 2008 as a result of the restructuring programme which took place in late 2008.

4. Employee expenses and information (continued)

Travel, subsistence and hospitality expenditure was as follows:

	2009 £000	2008 £000
Members	**63**	107
Other employees:		
Channel 4	**1,663**	1,975
Other businesses	**175**	271
Total	**1,901**	2,353

Staff loans outstanding at 31 December were as follows:

	2009 £000	2008 £000
Season ticket loans	**200**	162

There were no loans to members.

5. Net finance costs

Net finance costs recognised in the year comprised:

	2009 £m	2008 £m
Interest receivable on short-term deposits	**2.0**	10.5
Change in fair value of financial assets	**–**	2.6
Foreign exchange gain	**–**	0.8
Expected return on plan assets (note 20)	**9.1**	11.5
Financial income	**11.1**	25.4
Unwinding of discount on provisions (note 17)	**(1.6)**	(1.0)
Interest on pension scheme liabilities (note 20)	**(10.4)**	(10.1)
Change in fair value of financial assets	**(0.3)**	–
Foreign exchange loss	**(0.2)**	–
Financing costs	**(0.6)**	(0.6)
Financial expense	**(13.1)**	(11.7)

Foreign exchange losses reflect the effect of the depreciation of the US dollar and Euro against Sterling during the year on cash holdings denominated in US dollars and Euros.

Financing costs reflect interest costs borne by the group on certain content agreements.

6. Income tax expense

The taxation charge is based on the taxable profit for the year and comprises:

	2009 £m	2008 £m
Current tax:		
Current year	**3.5**	7.0
Adjustment for prior years	**(0.4)**	(1.7)
	3.1	5.3
Deferred tax: origination and reversal of temporary differences		
Current year	**(1.3)**	1.0
Prior year	**0.1**	1.8
Income tax expense excluding share of income tax of investments accounted for using the equity method	**1.9**	8.1
Share of income tax of investments accounted for using the equity method	**0.8**	0.7
Total income tax expense	**2.7**	8.8

Corporation tax is charged at the standard UK rate of 28.0% for the year (2008: 28.5%).

Reconciliation of effective tax rate

	2009 %	2009 £m	2008 %	2008 £m
Profit for the year		**0.3**		1.8
Total income tax expense		**2.7**		8.8
Profit excluding income tax		**3.0**		10.6
Income tax using the domestic corporation tax rate		**0.8**		3.0
Effects of:				
Non-deductible expenses		**2.8**		4.5
Non-taxable distributions		**(0.6)**		–
Tax losses not recognised		**–**		1.2
(Over)/under provided in prior periods		**(0.3)**		0.1
Income tax expense	**89.5**	**2.7**	83.0	8.8

Current tax assets and liabilities

The current tax asset of £0.2 million (2008: current tax liability £3.7 million) represents the amount of income tax receivable in respect of current and prior periods (notes 14 and 16).

Deferred tax recognised directly in equity

The following movement in deferred tax has been recognised directly in equity and is shown in the statement of comprehensive income:

	2009 £m	2008 £m
Relating to employee benefits	**6.6**	3.8
Deferred tax recognised in equity	**6.6**	3.8

7. Investments in subsidiaries

Subsidiaries
The cost of investments at 31 December was:

	Channel 4 2009 £000	Channel 4 2008 £000
4 Ventures Ltd	**1**	1

4Ventures Ltd is a 100% owned subsidiary of Channel 4. Its principal activities include the activities of the 4Channels, 4Rights and Future Media segments (page 86).

At the balance sheet date 4Ventures Ltd owned more than 50% of the issued share capital of the following companies either directly or indirectly*, each of which was incorporated in Great Britain:

	Activity	Issued ordinary £1 shares	Ownership %
FilmFour Ltd	Film distribution	1,000	100
Life One Broadcasting Ltd	Digital channel	1,000	100
Life Two Broadcasting Ltd*	Digital channel	1,000	100
Life Showcase Ltd*	Digital channel	1,000	100
Channel 4 Radio Ltd	Digital Radio channels	1	100
Channel 4 Radio Services Ltd*	Digital Radio channels	1	100
4 Digital Group Ltd*	Digital Radio channels	3,000,000	55

FilmFour Ltd sells rights from its film library to Protagonist Pictures Ltd, a joint venture film sales company (note 8).

Life One Broadcasting Ltd and its two wholly owned subsidiaries, Life Two Broadcasting Ltd and Life Showcase Ltd, own licences to broadcast three channels on the Sky platform.

During 2008, Channel 4 announced its withdrawal from 4Radio. As a result, Channel 4 Radio Ltd and Channel 4 Radio Services Ltd will become dormant in future years.

Assets remaining in 4 Digital Group Ltd were distributed to the shareholders during 2009. Subsequent to the balance sheet date, on 15 January 2010 a final meeting of the shareholders in 4 Digital Group was held, at which the company was dissolved.

8. Investments accounted for using the equity method

Box Television Ltd
The investment reflects 500 ordinary shares of £1, representing 50% of the share capital of Box Television Ltd (Box). The other shareholder is Bauer Consumer Media Ltd.

Impairment tests on the goodwill and intangible assets acquired as a result of the investment in Box are carried out annually or if indications arise of a possible impairment. The recoverable amounts of the goodwill and intangible assets in Box are determined based on their value in use.

An impairment review was carried out by estimating the future expected cash flows for Box, using a pre-tax discount rate of 11% (2008: 11.25%) reflecting the group's estimated cost of capital for its commercial television segments and comprising a risk-free rate of 4%, an equity risk premium of 7% and a beta of 1, and a growth rate of 2.5% after five years, consistent with long-term average growth rates for the digital television industry. The cash flow forecast reflected growth in line with Channel 4's conservative view of the digital television advertising market and the transfer of advertising sales representation from Sky to Channel 4 from 1 January 2010. The present value of the cash flows accruing to Channel 4 was then compared to the carrying value of the goodwill and other intangible assets held on the balance sheet. No impairment was required as a result.

Management has approved the forecast on which the cashflow analysis has been based and believes that there are currently no likely changes in revenues or discount rate which would reduce the value in use for Box down to a level where an impairment would arise.

Taste of London Ltd
The investment reflects 27,250 ordinary shares of £1 representing 50% of the share capital of Taste of London Ltd. The other shareholder is Brand Events Ltd.

Notes to the financial statements continued

8. Investments accounted for using the equity method (continued)

UK VOD LLP
During 2009 Kangaroo, the project name for a joint venture to develop a one-platform video on demand service with BBC Worldwide and ITV plc, was prohibited by the Competition Commission. The value of the investment in the jointly controlled entity, UK VOD LLP, was fully written down in 2008 as a post-balance sheet event.

Later in the year UK VOD LLP disposed of the technology platform it had developed to Arqiva Ltd. Following the disposal and in anticipation of the subsequent winding up of the entity, funds representing the assets of the entity were returned to each of the shareholders. Channel 4 received a net return in the year of £1.9 million, which was recognised in the income statement, the investment having been fully impaired in the previous year (note 3).

Protagonist Pictures Ltd
The investment reflects 131,250 ordinary shares of £1, representing 33% of the share capital of Protagonist Pictures Ltd. The other shareholders are Vertigo Holdings Ltd and Ingenious Media Services Ltd.

Big Freeze Ltd
During the year the group acquired 25 ordinary shares of £1 in Big Freeze Ltd, a venture formed to develop, produce and exploit snow sport and music events. The group contributed less than £0.1 million in funding to the entity during the year. The other shareholders are Sports Vision (International) Ltd, which holds 50% of the shares, and Boomerang Plus Plc, which holds 25% of the shares.

Galaxy New Media Ltd
The group held 50% of the share capital of Galaxy New Media Ltd, a company developing an online classified property website. As a result of the joint venture entity going into administration in 2008, the investment was liquidated during 2009.

Popworld Ltd
The group holds 29% of the share capital of Popworld Ltd. This investment was fully provided in 2009 and 2008 following the transfer of the assets and liabilities of the company to 19 Entertainment Ltd.

Summary annual financial information of continuing investments

	Current assets £m	Long term assets £m	Current liabilities £m	Long term liabilities £m	Revenue £m	Expenses £m
2009						
Box Television Ltd	11.2	0.6	(6.5)	–	28.3	(23.4)
Taste of London Ltd	1.2	0.1	(0.7)	–	4.0	(3.3)
Protagonist Pictures Ltd	0.7	–	(0.8)	–	0.3	(0.4)
Big Freeze Ltd	0.1	–	(0.3)	–	1.1	(1.3)
	13.2	**0.7**	**(8.3)**	**–**	**33.7**	**(28.4)**
2008						
Box Television Ltd	10.6	0.7	(4.9)	–	26.6	(21.9)
Taste of London Ltd	1.7	–	(1.2)	–	4.6	(4.0)
Protagonist Pictures Ltd	0.4	–	(0.3)	–	–	(0.4)
	12.7	**0.7**	**(6.4)**	**–**	**31.2**	**(26.3)**

The broadcast licence acquired as part of the investment in Box Television Ltd is amortised over the duration of the licence (eight years). These amounts are included within the carrying value of investments accounted for using the equity method.

The trademark acquired as part of the investment in Taste of London Ltd is amortised over ten years from acquisition in line with its estimated useful life.

There are no contingent liabilities and no capital commitments in respect of joint ventures to be included within the group's financial statements.

8. Investments accounted for using the equity method (continued)

Investments accounted for using the equity method comprise:

Box Television Ltd	**2009 £m**	2008 £m
Carrying value at 1 January	**28.6**	30.4
Adjustment to goodwill	**–**	(0.2)
Share of post acquisition profits (net of income tax)	**1.4**	1.4
Amortisation	**(1.2)**	(1.2)
Share of dividends received	**(1.5)**	(1.8)
Total carrying value at 31 December	**27.3**	28.6

Taste of London Ltd		
Carrying value at 1 January	**1.6**	1.7
Share of post acquisition profits (net of amortisation and income tax)	**0.2**	0.1
Share of dividends received	**(0.3)**	(0.2)
Total carrying value at 31 December	**1.5**	1.6

UK VOD LLP		
Carrying value at 1 January	**–**	–
Reversal of impairment	**1.9**	–
Investments	**–**	6.4
Share of post acquisition losses (net of income tax)	**–**	(2.7)
Distribution	**(1.9)**	–
Impairment	**–**	(3.7)
Total carrying value at 31 December	**–**	–

Protagonist Pictures Ltd		
Carrying value at 1 January	**0.2**	–
Investments	**–**	0.3
Share of post acquisition losses (net of income tax)	**(0.1)**	(0.1)
Total carrying value at 31 December	**0.1**	0.2

Galaxy New Media Ltd		
Carrying value at 1 January	**–**	–
Investments	**–**	0.5
Share of post acquisition losses (net of income tax)	**–**	(0.4)
Impairment	**–**	(0.1)
Total carrying value at 31 December	**–**	–

The following of the group's joint ventures are not-for-profit, cost-sharing organisations, each of which is incorporated in Great Britain. Contributions that the group makes to the funding requirements of these organisations are recognised in the appropriate line in the income statement in the period to which they relate.

Digital 3 and 4 Ltd
Channel 4 holds 1,000 A class ordinary £1 shares in Digital 3 and 4 Ltd, representing 50% of the share capital. ITV Network Ltd owns the other 50%. Digital 3 and 4 Ltd has been granted a licence by Ofcom to operate the Channel 3 and Channel 4 digital terrestrial multiplex. At 31 December 2009, Channel 4's share of the net assets of Digital 3 and 4 Ltd amounted to £1,000. The company acts as an agent for its shareholders.

Clearcast Ltd
Channel 4 holds one ordinary £1 share in Clearcast Ltd, representing 12.5% of the share capital. ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd, GMTV Ltd, Viacom Brand Solutions Ltd, Turner Entertainment Networks International Ltd and Interactive Digital Sales Ltd own the remaining 87.5%. Clearcast Ltd is responsible for the pre-transmission examination and clearance of television advertisements.

Notes to the financial statements continued

8. Investments accounted for using the equity method (continued)

DTV Services Ltd
Channel 4 holds 6,000 ordinary £1 shares in DTV Services Ltd, representing 20% of the share capital. The BBC, National Grid Wireless, BSkyB plc and ITV Network Ltd own the remaining 80%. DTV Services Ltd is the company responsible for marketing the Freeview digital terrestrial TV network.

Broadcasters' Audience Research Board Ltd (BARB)
BARB is a company limited by guarantee. Channel 4 is a joint member along with the BBC, ITV Network Ltd, Channel 5 Broadcasting Ltd, BSkyB plc and the IPA.

DTT Multiplex Operators Ltd (DMOL)
DMOL is a company limited by guarantee. The group is a member via its share in Digital 3 & 4 Ltd. The other members are the BBC, National Grid Wireless plc and SDN Ltd.

Thinkbox Ltd
Channel 4 holds 3,000 ordinary £1 shares representing 14% of the share capital. Channel 5 Broadcasting Ltd, GMTV Ltd, ITV plc, BSkyB plc, Turner Broadcasting and Viacom Brand Solutions Ltd hold the remainder of the shares. Thinkbox Ltd is the television marketing body for the main UK commercial broadcasters.

Parliamentary Broadcasting Unit Ltd
Channel 4 holds one share in the Parliamentary Broadcasting Unit Ltd, representing 11.1% of the share capital. The BBC owns four shares and ITV Network Ltd, BSkyB plc, Channel 5 Broadcasting Ltd and Park Square (Leeds) Nominees Ltd each own one share.

9. Equity investments

Equity investments held comprise:

	2009 £m	2008 £m
At 1 January	**2.2**	2.1
Additions	**0.5**	0.1
Impairment	**(0.2)**	–
At 31 December	**2.5**	2.2

Espresso Broadband Ltd
£2.1 million of the equity investments held by the group at 31 December 2009 relate to a 10% equity holding in Espresso Broadband Ltd, a leading digital curriculum service, held since March 2007.

School of Everything Ltd
In February 2008, the group acquired a 7% stake in the ordinary share capital of School of Everything, a website promoting interactive learning opportunities, for £100,000. This was followed by a subsequent investment in January 2009 of 10,000 £10 preference shares representing 38% of the newly issued preference share capital, bringing the total investment in School of Everything Ltd to £0.2 million.

MyBuilder Ltd
In August 2009, the group acquired a minority stake in the ordinary share capital of MyBuilder Ltd, a website marketplace to find local builders and tradesmen, for £350,000.

Mobile IQ Ltd
A further investment is held in Mobile IQ Ltd. The value of the investment is less than £0.1 million.

Certain equity investments held by the group are made by 4iP, which places seed capital with start-up companies, amongst other things developing public service content online (page 72). The commercial returns from these investments may be uncertain and they are therefore subject to regular impairment reviews. As a result, £0.2 million has been provided at the balance sheet date.

There is no active market for the above investments. The members believe that valuation at cost less impairment charges is a reasonable approximation to fair value.

10. Property, plant and equipment

Group and Channel 4	Freehold land and building £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation			
At 1 January 2008	58.3	112.5	170.8
Additions	–	3.6	3.6
Disposals	–	–	–
Revaluation	(9.3)	–	(9.3)
At 31 December 2008	**49.0**	**116.1**	**165.1**
At 1 January 2009	49.0	116.1	165.1
Additions	–	1.7	1.7
Disposals	–	–	–
Revaluation	(7.0)	–	(7.0)
At 31 December 2009	**42.0**	**117.8**	**159.8**
Depreciation			
At 1 January 2008	–	96.0	96.0
Charge for the year	1.1	5.9	7.0
Impairment	–	1.8	1.8
Revaluation	(1.1)	–	(1.1)
At 31 December 2008	**–**	**103.7**	**103.7**
At 1 January 2009	–	103.7	103.7
Charge for the year	0.8	4.6	5.4
Impairment	–	1.4	1.4
Revaluation	(0.8)	–	(0.8)
At 31 December 2009	**–**	**109.7**	**109.7**
Net book value			
At 1 January 2008	58.3	16.5	74.8
At 31 December 2008	**49.0**	**12.4**	**61.4**
At 1 January 2009	49.0	12.4	61.4
At 31 December 2009	**42.0**	**8.1**	**50.1**

Commitments to purchase property, plant and equipment are detailed in note 19. There were no material assets held under finance leases at the balance sheet date. No assets have been pledged for security (2008: none).

The impairment of fixtures, fittings and equipment in 2009 principally relates to a number of assets written down in relation to certain onerous property rental agreements for which the depreciated historical cost value exceeded their recoverable amount, where recoverable amount is the higher of value in use and the fair value less costs to sell. As there is no active market for the assets impaired, value in use has been used to estimate the recoverable amount. The impairment has been charged to other operating expenditure within the income statement (note 2).

Valuation of freehold property

The freehold property, comprising the office and transmission centre at 124 Horseferry Road, London SW1P 2TX, was valued at 31 December 2009 by external valuers BNP Paribas Real Estate, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The property was valued on the basis of open market value, which the members believe approximates to current value.

The open market value for this property was £42.0 million (2008: £49.0 million). After depreciation charged on the open market value at 31 December 2008 (£0.8 million), £1.4 million of the impairment for the year has been taken directly to equity in the revaluation reserve. The remaining £4.8 million has been charged to the income statement (note 3).

Notes to the financial statements continued

10. Property, plant and equipment (continued)

If freehold property had not been revalued it would have been included in the financial statements at the following amounts:

	2009 £m	2008 £m
Cost	**62.3**	62.3
Accumulated depreciation	**(15.5)**	(14.7)
Impairment	**(4.8)**	–
Net book value	**42.0**	47.6

11. Intangible assets

	Channel 4	Other	Group
	Developed software £m	Broadcasting licence £m	Total £m
Cost			
Balance as at 1 January 2008	15.6	4.6	20.2
Internally developed	2.2	–	2.2
At 31 December 2008	**17.8**	**4.6**	**22.4**
Balance as at 1 January 2009	17.8	4.6	22.4
Internally developed	0.8	–	0.8
At 31 December 2009	**18.6**	**4.6**	**23.2**
Amortisation			
Balance as at 1 January 2008	11.1	0.5	11.6
Amortisation for the year	1.1	0.8	1.9
Impairment	0.5	–	0.5
At 31 December 2008	**12.7**	**1.3**	**14.0**
Balance as at 1 January 2009	12.7	1.3	14.0
Amortisation for the year	1.4	0.8	2.2
At 31 December 2009	**14.1**	**2.1**	**16.2**
Carrying amount			
At 1 January 2008	4.5	4.1	8.6
At 31 December 2008	**5.1**	**3.3**	**8.4**
At 1 January 2009	5.1	3.3	8.4
At 31 December 2009	**4.5**	**2.5**	**7.0**

Developed software represents amounts capitalised on internally developed computer software, principally in relation to the management of advertising and sponsorship revenues and programme scheduling applications meeting the recognition criteria for internally generated intangible assets under IAS 38 'Intangible Assets'. Assets are amortised on a straight line basis over two to five years from the date the asset becomes available for use. The amortisation charge for developed software is recognised within depreciation and amortisation within the income statement (note 2).

The impairment charge in 2008 reflects the write-down of certain projects for which the expected benefits did not support their carrying value. The impairment was charged to other operating expenditure within the income statement (also note 2).

The Broadcasting licences acquired as part of the acquisition of Life One Broadcasting Ltd on 30 April 2007 (note 7) are considered to have a useful economic life of six years and are amortised on a straight line basis over this period. At the year end no indications of impairment of these assets were identified.

12. Deferred tax assets and liabilities

	Assets 2009 £m	Assets 2008 £m	**Liabilities 2009 £m**	Liabilities 2008 £m	**Net 2009 £m**	Net 2008 £m
Property, plant and equipment	**2.5**	3.0	**–**	–	**2.5**	3.0
Intangible assets	**–**	–	**(1.2)**	(2.0)	**(1.2)**	(2.0)
Employee benefits	**12.5**	5.9	**–**	–	**12.5**	5.9
Other short-term timing differences	**0.7**	0.6	**(0.1)**	(0.7)	**0.6**	(0.1)
Channel 4 deferred tax assets/(liabilities)	**15.7**	9.5	**(1.3)**	(2.7)	**14.4**	6.8
Other short-term timing differences	**0.3**	0.5	**(2.7)**	(3.1)	**(2.4)**	(2.6)
Group deferred tax assets/(liabilities)	**16.0**	10.0	**(4.0)**	(5.8)	**12.0**	4.2

Unrecognised deferred tax assets and liabilities
Deferred tax assets have not been recognised in respect of:

	2009 £m	2008 £m
Revaluation of freehold land and buildings	**5.7**	3.7
Carried forward capital losses	**1.2**	1.2
Carried forward trading losses	**1.4**	2.0
Unrecognised deferred tax assets	**8.3**	6.9

Unrecognised deferred tax assets include capital losses carried forward that the group is not yet able to utilise. A deferred tax asset is only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised (either now or in later accounting periods).

Movements in temporary differences during the year
The amount of deferred tax recognised in the income statement in respect of each type of temporary timing difference is as follows:

	Balance at 1 Jan 09 £m	**Recognised in income £m**	**Recognised in equity £m**	**Balance at 31 Dec 09 £m**
Property, plant and equipment	3.0	(0.5)	–	2.5
Intangible assets	(2.0)	0.8	–	(1.2)
Employee benefits	5.9	–	6.6	12.5
Other short-term timing differences	(0.1)	0.7	–	0.6
Channel 4 deferred tax assets	**6.8**	**1.0**	**6.6**	**14.4**
Other short-term timing differences	(2.6)	0.2	–	(2.4)
Group deferred tax assets	**4.2**	**1.2**	**6.6**	**12.0**

	Balance at 1 Jan 08 £m	**Recognised in income £m**	**Recognised in equity £m**	**Balance at 31 Dec 08 £m**
Property, plant and equipment	3.0	–	–	3.0
Intangible assets	(1.3)	(0.7)	–	(2.0)
Employee benefits	2.7	(0.6)	3.8	5.9
Other short-term timing differences	0.8	(0.9)	–	(0.1)
Channel 4 deferred tax assets/(liabilities)	**5.2**	**(2.2)**	**3.8**	**6.8**
Other short-term timing differences	(2.0)	(0.6)	–	(2.6)
Group deferred tax assets/(liabilities)	**3.2**	**(2.8)**	**3.8**	**4.2**

Notes to the financial statements continued

13. Programme and film rights and other inventories

	Group 2009 £m	Group 2008 £m	**Channel 4 2009 £m**	Channel 4 2008 £m
Programmes and films completed but not transmitted	**81.4**	74.5	**79.6**	69.8
Acquired programme and film rights	**75.2**	66.4	**60.1**	53.8
Programmes and films in the course of production	**44.2**	67.3	**42.6**	64.9
Other inventories	**1.1**	0.9	**–**	–
Programme and film rights and other inventories	**201.9**	209.1	**182.3**	188.5

Certain programme and film rights may not be utilised within one year.

Programme rights and other inventories to the value of £532.7 million were recognised as expenses in the year (2008: £585.4 million). Of this amount, obsolete programmes and developments written off totalled £28.0 million for the group (2008: £16.1 million) and £26.7 million for Channel 4 (2008: £15.2 million).

Other inventories represent amounts held within the 4Rights segment for DVDs related to Channel 4 programmes.

14. Trade and other receivables

	Group 2009 £m	Group 2008 £m	**Channel 4 2009 £m**	Channel 4 2008 £m
Trade receivables	**106.5**	90.4	**79.1**	70.8
Amounts due from subsidiaries	**–**	–	**9.7**	42.6
Prepayments and accrued income	**33.1**	20.2	**26.1**	17.4
Distribution and producer advances	**5.0**	4.2	**–**	–
Total trade and other receivables	**144.6**	114.8	**114.9**	130.8
Corporation tax	**0.2**	–	**3.2**	1.8
Current tax assets	**0.2**	–	**3.2**	1.8

Amounts due to Channel 4 from subsidiaries are unsecured and bear interest at the Bank of England base rate prevailing at the beginning of the year.

Trade receivables are shown net of impairment charges amounting to £0.1 million (2008: £0.2 million) recognised in the current year in relation to outstanding balances from customers, the receipt of which management view as unlikely.

15. Cash and cash equivalents and other financial assets

	Group 2009 £m	Group 2008 £m	**Channel 4 2009 £m**	Channel 4 2008 £m
Bank balances	**55.0**	1.3	**55.0**	0.2
Money market deposits maturing in less than three months	**20.0**	53.2	**20.0**	53.2
Money market funds*	**126.9**	99.4	**126.9**	99.4
Cash and cash equivalents	**201.9**	153.9	**201.9**	152.8
Money market deposits maturing after three months	**10.0**	50.0	**10.0**	50.0
Derivative financial instruments	**0.4**	2.5	**0.4**	2.5
Other financial assets	**10.4**	52.5	**10.4**	52.5

Amounts held in money market funds are repayable within seven days.

16. Trade and other payables and current tax liabilities

	Group 2009 £m	Group 2008 £m	**Channel 4 2009 £m**	Channel 4 2008 £m
Trade payables	**7.7**	7.1	**7.7**	7.1
National insurance	**0.7**	0.3	**0.7**	0.2
Other payables	**3.7**	4.0	**2.7**	3.9
Accruals	**147.6**	137.3	**97.4**	84.9
VAT	**13.1**	8.9	**8.8**	4.4
Total trade and other payables	**172.8**	157.6	**117.3**	100.5
Corporation tax	**–**	3.7	**–**	–
Current tax liabilities	**–**	3.7	**–**	–

The group supports the Better Payment Practice Code, copies of which can be obtained from the Better Payment Practice Group (payontime.co.uk).

The group endeavours to pay all invoices in accordance with contract terms and, unless agreed payment terms specify otherwise, within 30 days of the date of the invoice. Any complaints about failure to pay on time should be addressed to the Group Finance Director, who will ensure that they are investigated and responded to appropriately.

The number of days taken to pay suppliers of services other than programmes in 2009, as calculated using year end payable balances, was 13 for both the group and Channel 4 (2008: 10). Payments to suppliers of programmes are excluded from this calculation as the members believe that to include them would result in a distortion of the underlying average.

Notes to the financial statements continued

17. Provisions

	Channel 4			Other	Group
	Onerous contracts £m	Restructuring costs £m	Total £m	Restructuring costs £m	Total £m
At 1 January 2008	10.1	6.3	16.4	–	**16.4**
Utilised in the year	(7.1)	(1.0)	(8.1)	–	**(8.1)**
Released in the year	–	(2.2)	(2.2)	–	**(2.2)**
Charged to income statement	5.3	6.2	11.5	0.5	**12.0**
Unwinding of discount rate	1.0	–	1.0	–	**1.0**
At 31 December 2008	**9.3**	**9.3**	**18.6**	**0.5**	**19.1**
At 1 January 2009	9.3	9.3	18.6	0.5	**19.1**
Utilised in the year	(5.1)	(6.6)	(11.7)	(0.5)	**(12.2)**
Charged to income statement	16.0	0.5	16.5	–	**16.5**
Unwinding of discount rate	1.6	–	1.6	–	**1.6**
At 31 December 2009	**21.8**	**3.2**	**25.0**	**–**	**25.0**

Provisions have been analysed as current and non-current as follows:

	2009 Group £m	2008 Group £m	**2009 Channel 4 £m**	2008 Channel 4 £m
Current	**17.7**	17.2	**17.7**	16.7
Non-current	**7.3**	1.9	**7.3**	1.9
	25.0	19.1	**25.0**	18.6

Onerous contracts
The provision relates to rental deficits on four buildings which are surplus to requirements and certain content agreements with contracted commitments at the balance sheet date. Utilisations of the provision and additions to the provision are recorded in other operating expenditure and programme and other content costs within the income statement (note 2). The property rental agreements are set to expire in 2014 and 2020 and the content agreements expire in 2010.

Restructuring costs
The restructuring provision at 31 December 2008 related to costs associated with initiatives to increase the operational efficiency of the group, through the outsourcing of the group's broadcast and transmission services and a headcount restructuring programme. During 2009 the headcount restructuring programme provision was fully utilised. The remaining provision held at the balance sheet date relates to the outsourcing of broadcast and transmission services and is expected to be fully utilised in 2010 as the migration of services to Red Bee Ltd premises at White City is completed.

Utilisations and additions during the year have been included within other operating expenditure within the income statement. Where applicable, the amounts charged to the income statement have been allocated to Channel 4 and Other in accordance with employees' responsibilities within the group.

Where the effect is material, provisions relating to content agreements have been discounted at a nominal rate of 11%, which reflects a risk-free rate of 4%, an equity risk premium of 7% and a beta of 1. Other provisions are discounted at a real rate of 8.5% where amounts have not been adjusted for the expected impact of inflation.

Contingent liabilities
The members are not aware of any significant legal or arbitration proceedings, pending or threatened, against any member of the group which may result in a contingent liability.

18. Derivatives and other financial instruments

In accordance with IFRS 7 'Financial Instruments: Disclosures', Channel 4 is required to provide disclosures about the nature and extent of risks arising from financial instruments.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's income or the value of its assets and liabilities. These risks are managed by the group's treasury function as described below.

The Board is responsible for approving the treasury policy for the group. The group's treasury and funding activities are undertaken by a treasury function which reports to the Group Finance Director. Its primary activities are to manage the group's liquidity, funding requirements and financial risk, principally arising from movements in interest and foreign currency exchange rates. The group's policy is to ensure that adequate liquidity and financial resource is available to support the group's continuing activities and growth whilst managing these risks. The group's policy is not to engage in speculative financial transactions. The group does not seek to apply hedge accounting. Group treasury operates within clearly defined objectives and controls and is subject to periodic review by the business assurance function (page 127).

Foreign currency risk
The group is exposed to currency risk on sales and purchases that are denominated in currencies other than Sterling. The currencies that give rise to this risk are US Dollars and Euros. The group uses forward exchange contracts and currency cash receipts to hedge its currency risk. Changes in the fair value of exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the change in the fair value of the forward contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of net financial income (note 5). The group does not have any foreign subsidiaries and as a result is not exposed to foreign currency risk in this regard. The group is exposed to currency movements on foreign cash holdings. Amounts held by currency are detailed below within the analysis of the group's and Channel 4's cash and deposits.

It is estimated that if Sterling had strengthened/weakened by 10% at the balance sheet date against other currencies with all other variables held constant, the group's profit before tax would have been £0.1 million lower/higher (2008: £0.1 million).

Interest rate risk and exposure
The group invests surplus cash in fixed rate money market deposits and variable rate money market funds. Funds are invested only with an agreed list of organisations that carry a minimum of an A+ credit rating or equivalent from Standard and Poor's and Moody's credit rating services with government support, or with money market funds that have an AAA credit rating from either of these credit rating services.

It is estimated that if interest rates had been 0.1% lower/higher throughout the year, with all other variables held constant the group's profit before tax would have been £0.2 million lower/higher (2008: £0.2 million).

The group does not have any debt and as such is not exposed to fluctuations in interest rates in this regard.

18. Derivatives and other financial instruments (continued)

The interest rate profile of the group's and Channel 4's cash and deposits at 31 December 2009 and 31 December 2008 is set out below:

Interest rate risk

2009	Group Effective interest rate %	Group Total £m	Channel 4 Effective interest rate %	Channel 4 Total £m
Cash and cash equivalents				
Interest bearing deposits maturing in less than three months held in Sterling	0.6	200.8	0.6	200.8
Interest bearing deposits maturing in less than three months held in US Dollars	0.1	0.1	0.1	0.1
Interest bearing deposits maturing in less than three months held in Euros	0.4	1.0	0.4	1.0
	0.6	**201.9**	**0.6**	**201.9**

2008	Group Effective interest rate %	Group Total £m	Channel 4 Effective interest rate %	Channel 4 Total £m
Cash and cash equivalents				
Interest bearing deposits maturing in less than three months held in Sterling	3.3	151.2	3.3	151.2
Interest bearing deposits maturing in less than three months held in US Dollars	1.2	1.3	1.2	1.3
Interest bearing deposits maturing in less than three months held in Euros	3.0	0.1	3.0	0.1
Non-interest bearing assets held in Sterling	–	1.3	–	0.2
	3.2	**153.9**	**3.2**	**152.8**

2009	Group Effective interest rate %	Group Total £m	Channel 4 Effective interest rate %	Channel 4 Total £m
Other financial assets				
Money market deposits maturing after three months held in Sterling	**2.0**	**10.0**	**2.0**	**10.0**

2008	Group Effective interest rate %	Group Total £m	Channel 4 Effective interest rate %	Channel 4 Total £m
Other financial assets				
Money market deposits maturing after three months held in Sterling	**5.5**	**50.0**	**5.5**	**50.0**

18. Derivatives and other financial instruments (continued)

Liquidity risk
Liquidity risk is the risk that the group fails to meet its financial obligations as they fall due. The management of operational liquidity risk aims primarily to ensure that the group always has a liquidity buffer that is able, in the short term, to absorb the net effects of transactions made and expected changes in liquidity both under normal and stressed conditions without incurring unacceptable losses or risking damage to the group's reputation. The cash balances held by the group are considered to be adequate to support the group's medium-term funding requirements.

Trade and other payables are shown in note 16. The value of trade and other payables at 31 December 2009 was £172.8 million for the group (2008: £157.6 million) and £117.3 million for Channel 4 (2008: £100.5 million). The fair value of these financial liabilities equals their book values. The contractual cash flows are equal to the carrying amount and are classified as payable within 6 months or less at 31 December 2009 and 2008.

Credit risk
Credit risk is the risk of a financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

(i) Trade receivables
Credit risk with respect to trade receivables is principally related to amounts due from advertising agencies. A risk strategy exists to protect against exposure to advertising sales receivables working to approved terms of reference including insurance for most customers. Exposure is monitored and reviewed on a weekly basis, and any issues are formally reported to an executive committee chaired by the Group Finance Director. Based on credit evaluation and discussions with both the committee and insurers, customers may be required to provide security in order to trade with the group.

The group establishes an allowance for impairment that represents our estimate of likely losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Losses with regard to these receivables are historically low as agencies must settle their debts before advertising transmissions are broadcast.

(ii) Counterparty
See Interest rate risk exposure on page 117.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure at the balance sheet date in relation to trade receivables, net of allowance for impairment, was £106.5 million for the group (2008: £90.4 million) and £79.1 million for Channel 4 (2008: £70.8 million), with £10.4 million of other financial assets for both the group and Channel 4 (2008: £52.5 million) and cash and cash equivalents of £201.9 million for the group (2008: £153.9 million) and £201.9 million for Channel 4 (2008: £152.8 million).

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographical region for the UK was £105.0 million for the group (2008: £88.8 million) and £77.6 million for Channel 4 (2008: £69.2 million). The maximum exposure to credit risk for trade receivables for other regions for both the group and Channel 4 was £1.5 million (2008: £1.6 million).

Trade receivables of £106.4 million for the group (2008: £90.3 million) and £79.0 million for Channel 4 (2008: £70.7 million) were aged under six months, with the remainder of less than £0.1 million for both the group and Channel 4 aged between six and twelve months (2008: £0.1 million). Included in receivables due under six months are receivables of £97.7 million for both the group and Channel 4 which were not yet due under standard credit terms at the balance sheet date (2008: £87.3 million). £77.3 million of the receivables of the group and £74.6 million of the receivables of Channel 4 were insured at the balance sheet date and £100.0 million and £77.9 million have been subsequently collected by the group and Channel 4 since the balance sheet date.

There was no significant movement in the allowance for impairment of trade receivables of £0.1 million (2008: £0.2 million) and there were no significant individual impairments of trade receivables.

Capital structure and management
Channel 4 is a statutory corporation without shareholders. Whilst returns to shareholders are therefore not relevant, the group maintains cash reserves to help protect against short term fluctuations in revenue and meet its business objectives in a timely and efficient manner. The group is committed to efficient utilisation of the cash resources at its disposal to generate an appropriate return taking into account the liquidity needs of the business and the scope of treasury policy.

Notes to the financial statements continued

18. Derivatives and other financial instruments (continued)

Derivative financial instruments
At 31 December 2009, the total value of forward contracts used as economic hedges of monetary liabilities was £14.8 million (2008: £16.2 million). This represents sixteen Euro forward purchase contracts, of which £12.7 million had a fixed maturity date with settlement within twelve months from the balance sheet date and £2.1 million within one to two years from the balance sheet date. At the 2009 year end, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of £0.3 million has been recognised in the income statement (note 5) and the associated asset of £0.4 million has been included in other financial assets in the balance sheet (note 15).

Fair values
The table below sets out a comparison of book values and corresponding fair values of all the group's financial instruments by class:

	2009 Book value £m	**2009 Fair value £m**	2008 Book value £m	2008 Fair value £m
Financial assets				
Cash and cash equivalents (note 15)	**201.9**	**201.9**	153.9	153.9
Other financial assets (note 15)	**10.4**	**10.4**	52.5	52.5
Trade and other receivables (note 14)	**144.6**	**144.6**	114.8	114.8
Investments accounted for using the equity method (note 8)	**28.9**	**28.9**	30.4	30.4
Equity investments (note 9)	**2.5**	**2.5**	2.2	2.2
	388.3	**388.3**	353.8	353.8
Financial liabilities				
Trade and other payables	**(172.8)**	**(172.8)**	(157.6)	(157.6)
	(172.8)	**(172.8)**	(157.6)	(157.6)

As there is no publicly traded market for the equity investments held, the members believe that valuation at cost is a reasonable approximation of fair value. The group does not intend to dispose of its equity investments in the foreseeable future.

The major methods and assumptions used in estimating the fair values of the group's financial instruments are summarised below.

Forward exchange contracts
The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

Trade and other receivables/payables
For trade and other receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Interest rates used for determining fair value
The group's cost of capital at the reporting date is used to discount future cash flows to determine the fair value of financial assets and liabilities.

Except where otherwise stated, the disclosures in respect of derivatives and other financial instruments for Channel 4 are the same as for the group.

19. Commitments

a) Programme and film commitments
At 31 December, committed future expenditure for programmes and films due for payment was as follows:

	Group 2009 £m	Group 2008 £m	Channel 4 2009 £m	Channel 4 2008 £m
Within one year	**322.2**	368.5	**275.4**	316.3
After one year	**239.7**	367.6	**208.3**	322.1
	561.9	736.1	**483.7**	638.4

b) Digital 3 and 4 Ltd commitments
Under the terms of the shareholder agreement for Digital 3 and 4 Ltd, Channel 4 is committed to meeting its share of contracted costs entered into by the company. Digital 3 and 4 Ltd's exact annual monetary commitment will be dependent upon the time and extent of the roll-out of the digital transmission network.

Channel 4's share of Digital 3 and 4 Ltd's committed payments is estimated to amount to £14 million in 2010, rising to an anticipated £20 million in 2012. Digital 3 and 4 Ltd has entered into long-term distribution contracts that expire in 2022 and 2034 and Channel 4 is committed to funding its contractual share.

Channel 4's share of Digital 3 and 4 Ltd's contracted costs is net of fees charged to S4C for carriage of the S4C service on Channel 4's share of the Digital 3 and 4 multiplex. These fees are estimated to amount to £0.5 million in 2010.

c) Operating lease commitments
At 31 December, the group had total commitments under non-cancellable operating leases, all of which were for land and buildings, as set out below:

	2009 £m	2008 £m
Operating leases which expire:		
Within two to five years	**1.9**	0.4
After five years	**27.4**	29.8
	29.3	30.2

The group leases office space in four properties in London under operating leases expiring in 2014 and 2020. Annual rentals of £1.2 million were charged to the income statement in 2009 with the remainder offset by the utilisation of onerous contract provisions. The total future rental commitment amounts to £28.8 million. Office space in three of the properties has been sublet by the group, with the minimum future payments amounting to £10.3 million on sub-leases expiring between 2011 and 2020.

In addition, the group leases office space in Glasgow and Manchester under operating leases expiring between 2013 and 2015. Annual rentals of £0.1 million were charged to the income statement in 2009 and the total commitment under the leases amounts to £0.5 million.

d) Capital commitments
At 31 December, the group had contracted commitments, as set out below:

	2009 £m	2008 £m
Property, plant and equipment:		
Contracted but not provided in the financial statements	**0.1**	0.5

Notes to the financial statements continued

20. Employee benefits – pensions

The group operates a defined benefit pension scheme – the Channel Four Television Staff Pension Plan (the Plan), providing benefits based on final salary for employees.

The amounts recognised in the group and Channel 4 balance sheets are as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of funded obligations	**(220.6)**	(170.4)	(176.2)	(168.1)	(165.4)
Fair value of plan assets	**175.7**	149.3	166.8	153.2	133.3
Recognised liability for defined benefit obligations	**(44.9)**	(21.1)	(9.4)	(14.9)	(32.1)

Movements in the fair value of plan assets recognised in the balance sheet:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets at 1 January	**149.3**	166.8	153.2	133.3	104.3
Expected return on plan assets	**9.1**	11.5	10.5	9.4	7.4
Benefits paid	**(2.7)**	(3.0)	(3.0)	(1.9)	(2.7)
Employer contributions net of charges*	**4.7**	5.4	6.2	10.5	9.4
Employee contributions net of charges	**1.4**	1.6	1.3	1.3	1.6
Actuarial gain/(loss) on plan assets	**13.9**	(33.0)	(1.4)	0.6	13.3
Fair value of scheme assets at 31 December	**175.7**	149.3	166.8	153.2	133.3

Employer contributions include an additional contribution of £5.7 million paid in March 2006.

The fair value of the plan assets and the return on those assets were as follows:

	2009 Actual return £m	2008 Actual return £m	2007 Actual return £m	2006 Actual return £m	2005 Actual return £m	**2009 Actual return %**	2008 Actual return %	2007 Actual return %	2006 Actual return %	2005 Actual return %	**2009 Fair value £m**	2008 Fair value £m	2007 Fair value £m	2006 Fair value £m	2005 Fair value £m
Equities	**20.4**	(28.4)	7.7	9.9	18.1	**28.5**	(26.3)	7.6	10.7	21.7	**98.4**	76.6	105.3	105.6	81.4
Bonds	**2.6**	7.0	1.4	0.1	2.6	**2.5**	11.2	5.1	0.3	10.6	**74.1**	69.3	58.0	43.5	43.2
Other	**—**	—	—	—	—	**—**	—	5.3	3.0	4.0	**3.2**	3.4	3.5	4.1	8.7
	23.0	(21.4)	9.1	10.0	20.7						**175.7**	149.3	166.8	153.2	133.3

Movements in the present value of scheme liabilities for defined benefit obligations recognised in the balance sheet:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of scheme liabilities at 1 January	**170.4**	176.2	168.1	165.4	129.8
Current service cost	**3.5**	5.7	6.1	6.1	5.3
Gain on curtailments	**—**	(0.9)	—	—	—
Employee contributions net of charges	**1.4**	1.6	1.3	1.3	1.6
Interest costs	**10.4**	10.1	9.1	8.3	7.2
Benefits paid	**(2.7)**	(3.0)	(3.0)	(1.9)	(2.7)
Actuarial loss/(gain) on plan liabilities	**37.6**	(19.3)	(5.4)	(11.1)	24.2
Present value of scheme liabilities at 31 December	**220.6**	170.4	176.2	168.1	165.4

20. Employee benefits – pensions (continued)

Expense recognised in the income statement:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Current service cost	**3.5**	5.7	6.1	6.1	5.3
Gain on curtailments	**—**	(0.9)	—	—	—
Interest on pension scheme liabilities	**10.4**	10.1	9.1	8.3	7.2
Expected return on plan assets	**(9.1)**	(11.5)	(10.5)	(9.4)	(7.4)
Net charge to income statement	**4.8**	3.4	4.7	5.0	5.1

The expense has been recognised in the following lines in the income statement:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Cost of transmission and sales	**2.8**	3.9	4.0	4.1	3.8
Other operating expenditure	**0.7**	0.9	2.1	2.0	1.5
Net financial expense/(income)	**1.3**	(1.4)	(1.4)	(1.1)	(0.2)
Net charge to income statement	**4.8**	3.4	4.7	5.0	5.1

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience (loss)/gain on plan liabilities	**(37.6)**	19.3	5.4	11.1	(24.2)
Experience gain/(loss) on plan assets	**13.9**	(33.0)	(1.4)	0.6	13.3
Actuarial (loss)/gain	**(23.7)**	(13.7)	4.0	11.7	(10.9)

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income since transition to IFRS is £40.6 million.

Principal actuarial assumptions at the balance sheet date

	2009 %	2008 %	2007 %	2006 %	2005 %
Discount rate	**5.75**	6.00	5.60	5.25	4.85
Rate of increase in salaries	**4.50**	3.65	3.45	3.30	3.00
Rate of increase in pensions	**3.60**	2.75	3.20	3.05	2.75
Inflation	**3.60**	2.75	3.20	3.05	2.75
Expected return on plan assets – equities	**8.40**	7.00	7.50	7.60	8.00
Expected return on plan assets – bonds	**5.00**	5.00	5.70	5.10	4.10
Expected return on plan assets – cash	**1.00**	3.00	5.50	5.25	4.00

	2009 years	2008 years	2007 years	2006 years	2005 years
Life expectancy from 60 (now aged 40) – male	**28.3**	28.3	26.6	26.6	26.6
Life expectancy from 60 (now aged 40) – female	**29.2**	29.1	29.4	29.4	29.4
Life expectancy from 60 (now aged 60) – male	**26.7**	26.6	26.6	24.5	24.5
Life expectancy from 60 (now aged 60) – female	**28.1**	28.0	29.4	27.5	27.5

20. Employee benefits – pensions (continued)

These assumptions were adopted in consultation with the independent actuary to the Channel Four Television Staff Pension Plan. If experience is different from these assumptions, or if the assumptions need to be amended in future, there will be a corresponding impact on the net pension scheme liability recorded on the group balance sheet. The expected returns on plan assets are set by reference to historical returns, current market indicators and the expected long term asset allocation of the plan.

Contribution rates to the scheme are determined by a qualified independent actuary (the Actuary to the Plan) on the basis of triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2009 and this valuation was subsequently updated at 1 January 2010. The results of the valuation at 1 January 2010 showed that the scheme's assets represented 85% of the benefits that had accrued to members, reflecting a deficit of £29.7 million.

Following the valuation and discussions with the Actuary to the Plan, the Trustees and the Board have agreed to pay an additional monthly contribution of £238,000 from 1 April 2010 in addition to the current £56,000 per month payable from 1 January 2007 to reduce the Plan's funding deficit.

The estimated employer contributions in 2010 are £6.8 million.

There was no material impact on the financial statements from the adoption of IFRIC 14 'The time limit on a defined benefit asset, minimum funding requirements and their interaction' in 2009.

21. Related party transactions

Details of transactions in which members have an interest are disclosed on page 87. Details of members' remuneration are shown in the remuneration report on pages 132-135.

Subsidiary undertakings
Channel 4 purchased creative design and production and interactive services from 4 Ventures Ltd totalling £9.3 million (2008: £13.9 million). At 31 December 2009, the total due to Channel 4 from subsidiary undertakings was £9.7 million (2008: £42.6 million). Also during 2009, 4 Ventures Ltd purchased £0.1 million worth of film rights from Film Four Ltd.

Channel 4 received a dividend of £0.4 million on the winding up of 4 Digital Group Ltd.

Joint Ventures
During 2009, Channel 4 received a dividend of £1.5 million from Box Television Ltd (2008: £1.8 million), a dividend of £0.3 million from Taste of London Ltd (2008: £0.2 million), brand royalty income of £0.3 million from Box Television Ltd (2008: £0.1 million), and £1.9 million redistribution of capital from UK VOD LLP. Box Television Ltd received £2.0 million of marketing, finance and other support services from Channel 4 (2008: £1.8 million). In respect of these services, Box Television Ltd owed £2.2 million to Channel 4 at 31 December 2009 (2008: £0.4 million). Channel 4 also paid £0.3 million to Protagonist Pictures Ltd for agency sales and film acquisition services and received £0.1 million for support services. No amounts were due at 31 December 2009.

Channel 4 paid £0.7 million of funding to Clearcast Ltd (2008: £0.7 million), £0.1 million of funding to Parliamentary Broadcasting Unit Ltd (2008: £0.1 million), £9.1 million to Digital 3 and 4 Ltd for digital terrestrial transmission services (2008: £8.9 million), £1.4 million to BARB for research services (2008: £1.4 million), £0.9 million to Thinkbox TV Ltd for marketing services (2008: £0.9 million) and £1.7 million to DTV Services Ltd for marketing services (2008: £1.2 million). No amounts were due from these companies at 31 December 2009.

Channel 4 also recognised equal revenue and expense of £1.6 million with DTV Services Ltd (2008: £2.0 million) and £0.5 million with Thinkbox TV Ltd (2008: £nil) reflecting the group's contribution of promotional airtime in respect of marketing services with these companies. No amounts were due from or owed to these companies at 31 December 2009.

Equity investments
During 2009, Channel 4 received £0.2 million brand fee income from Espresso Education Ltd (2008: £0.2 million). No amounts were due to Channel 4 at 31 December 2009 (2008: £nil).

Also during 2009, Channel 4 paid £0.1 million to Mobile IQ Ltd to support the Channel 4 mobile portal (2008: £0.2 million). There were no amounts due to Mobile IQ Ltd at 31 December 2009 (2008: £nil).