ITV set for continued growth after another strong year

ITV plc Annual Report and Accounts
for the year ended 31 December 2014

Welcome to our Annual Report 2014

Learn more . . .

Online Annual Report

The Online Annual Report is available at
ar2014.itvplc.com

Corporate website

We maintain a corporate website at **www.itvplc.com** containing a wide range of information of interest to institutional and private investors including:

- Latest news and press releases
- Annual reports and investor presentations
- Governance documents
- Corporate Responsibility content

Video content

See our latest showreels at
www.itvplc.com/media/showreel

Front cover picture:
Thunderbirds Are Go, produced by ITV Studios, will air on ITV in spring 2015. The show has already been commissioned for a second series and sold to countries including Australia, New Zealand and Israel.

02 Strategic Report

Provides a comprehensive review of ITV's business and strategy.

57 Governance

Presents a clear view of ITV's governance.

101 Financial Statements

ITV's audited financial statements for the year ended 31 December 2014.

167 Shareholder Information and Glossary.

Look out for these icons within the report

Read more **content** within this report

Read more **content** online

Strategic Report
The Strategic Report explains in detail how we have performed this year and sets out a fair review of the business, a balanced and comprehensive analysis of our performance, the use of key performance indicators to explain the progress we have made, a description of the principal risks and uncertainties facing the Company, and an indication of potential future developments.

The Strategic Report is prepared in line with the relevant provisions of the Companies Act 2006 and the Company has had regard to the guidance issued by the Financial Reporting Council. It is intended to provide shareholders with a better understanding of the Company, of its position in the markets within which it operates, and of its prospects.

In setting out the Company's main risks and uncertainties, an indication of potential future developments, and in other content, this report and accounts contains statements that are based on knowledge and information available at the date of preparation of the Strategic Report, and what are believed to be reasonable judgements, and therefore cannot be considered as indications of likelihood or certainty. A wide range of factors may cause the actual outcomes and results to differ materially from those contained within, or implied by, these various forward-looking statements. None of these statements should be construed as a profit forecast.

Pictured:
Downton Abbey returned for a fifth series in autumn 2014. 10.7 million watched the first episode making it ITV's most watched drama, with an average 10.4 million viewers for the series and a 38% share.

Strategic Report

Overview

Strategy and Operations

Performance and Financials

Overview

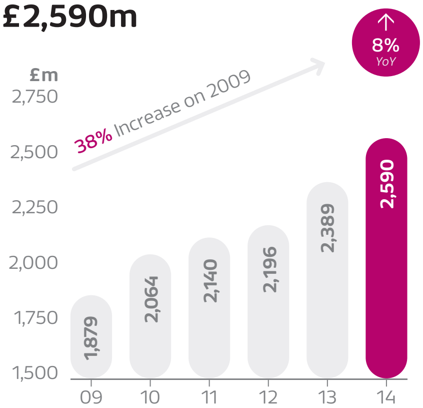
Investor Proposition

- ITV plc (ITV or the Company) continues to make significant strategic progress in growing and strengthening the business creatively, commercially and financially
- Over the last five years, we have delivered strong revenue and double digit profit growth every year while increasing adjusted earnings per share by over 650%
- We have made significant progress rebalancing the business, reducing our dependence on UK advertising and driving new revenue streams to build a more global organisation
- Our international content business, ITV Studios, is now a global player of scale, and we will continue to grow both organically and through acquisitions in key creative markets
- Online, Pay & Interactive revenue is now a material and profitable part of the business with continued strong growth expected as we build our global pay and distribution business
- Our Broadcast business delivers unrivalled audience reach for advertisers in the UK and we will benefit from our continued creative investment as we exploit our content across multiple platforms, both free and pay
- We have maintained a strong balance sheet and delivered consistently strong cash generation, while growing shareholder returns and committing to at least 20% dividend growth per annum for three years
- As we enter the next phase of our strategy we continue to see investment opportunities to grow the business and enhance shareholder value while maintaining capital discipline and balance sheet efficiency

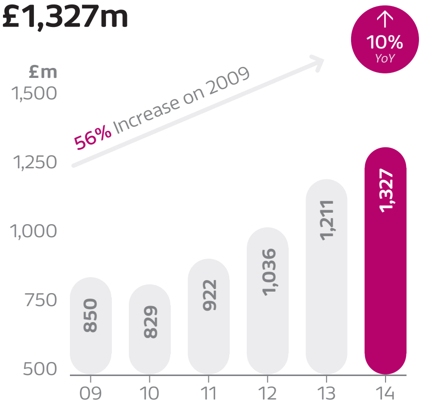
Pictured:
Cilla was a huge hit in autumn 2014. It averaged 8.3 million viewers with a 31% share making it the most watched new drama in 2014 on any channel, and the only new drama to average over 8 million viewers.

2014 Highlights

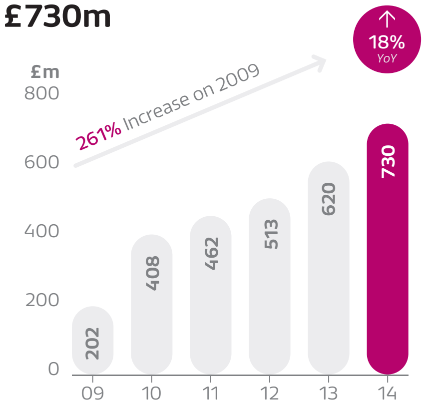
Group external revenue
£2,590m



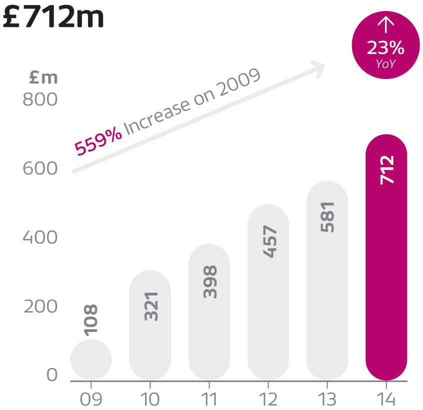
Non-NAR revenue*
£1,327m



EBITA before exceptionals
£730m

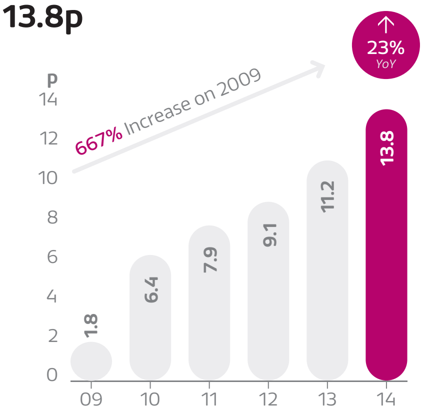


Adjusted profit before tax
£712m



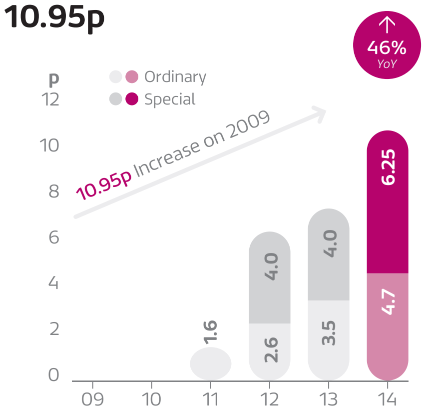
Profit before tax is £605m (2013: £435m)

Adjusted EPS
13.8p



EPS is 11.6p (2013: 8.3p)

Dividend per share
10.95p



6% **growth in NAR**
Our strongest outperformance of the television advertising **market in five years**

Online, Pay & Interactive revenue up 30%

9% growth in total ITV Studios revenue with almost half its revenue generated outside of the UK

In 2014 we grew our share of broadcast to 45.9% up from 45.4% in 2013

Committed to at least 20% ordinary dividend growth for three years to 2016

Group EBITA margin of 28% up from 26% in 2013

* Non-Net Advertising Revenue (Non-NAR) includes all ITV revenue, both internal and external, except Net Advertising Revenue (NAR)

Overview

ITV at a Glance

ITV total revenue

Broadcast & Online	£2,023m
ITV Studios	£933m

ITV EBITA before exceptionals

Broadcast & Online	£568m
ITV Studios	£162m

Overview

ITV, as an integrated producer broadcaster, creates, owns and distributes high quality content on multiple platforms.

We operate the largest commercial family of channels in the UK and deliver our content through traditional television broadcasting as well as on demand via ITV Player.

Our international studios business creates and produces content for both our own channels and third parties, while our distribution business, Global Entertainment, sells finished programmes and formats worldwide.

Broadcast & Online

ITV broadcasts a wide variety of content on its family of free-to-air channels. We invest over £1 billion annually in programming for our channels which is primarily funded by television advertising revenue. ITV has the largest share of the UK television advertising market, and we estimate this share to be 45.9% in 2014.

Our main channel (ITV main channel), is the largest commercial channel in the UK, delivering 99% of all commercial audiences over five million. Our free-to-air digital channels provide more targeted demographics for advertisers and consist of ITV2 and ITV3, the two largest digital channels in the UK, ITV4, CITV and ITVBe, a lifestyle and reality channel that launched in 2014. We also have high definition versions of our digital channels available on pay platforms and launched ITV Encore, our first pay only channel, in 2014. The family of channels attracted a total share of viewing (SOV) of 22.0% in 2014, the largest audience of any UK commercial broadcaster.

In addition to linear broadcast, ITV delivers its content across multiple platforms. This is either through ITV Player, now available on over 20 platforms including ITV's website (itv.com) and pay providers such as Virgin and Sky, or through direct content deals with services such as Amazon, Apple iTunes and Netflix.

ITV Studios

ITV Studios is the Group's international content business. We have built significant scale in key creative markets around the world, creating and producing programmes and formats that return and travel, namely drama, entertainment and factual entertainment.

ITV Studios UK is the largest commercial producer in the UK. We produce programming across a diverse range of genres for ITV's own channels, accounting for 60% of the total spend on original commissions for the main channel, as well as for other UK broadcasters such as the BBC, Channel 4 and Sky.

ITV Studios America is the largest unscripted independent producer of content in the US. We have acquired a number of unscripted and reality producers and are also growing our scripted presence, using our strong cash flows to produce high profile dramas with the potential to travel and build international appeal.

ITV Studios also operates in Germany, France, Australia and the Nordics, producing content for local broadcasters in these regions. This content is either created locally or formats that have been created elsewhere by ITV, primarily the UK.

Global Entertainment, ITV's distribution business, licenses ITV's finished programmes and formats and third party content internationally. Within this business we also finance productions both on and off-ITV to acquire global distribution rights.

Strategy

We are entering the next phase of our strategy as a demonstrably better business than when we set out our strategy for growth five years ago. From 2009 to 2014 external revenue increased 38%, EBITA before exceptional items increased over 250% to £730 million and adjusted EPS increased by over 650%. Our cash position has also consistently improved, up over £650 million, even after acquisitions of £328 million, investment across the business and shareholder returns of £678 million.

We've made good progress rebalancing ITV and reducing our dependence on UK advertising revenue, while growing and strengthening the business and generating new revenue streams. Today, 45% of our total revenue is from sources other than traditional spot television advertising. Online, Pay & Interactive revenue is growing strongly and is now a material and profitable part of the business while our international content business, ITV Studios, is now a global player of scale with almost half its total revenue generated outside the UK. As a result, ITV is now a much stronger business, creatively, commercially and financially, with a more disciplined approach to cash, costs and operations, and a talented and motivated team in place.

As we continue to execute our strategy, we remain focused on our original vision of ITV as an owner and producer of world-class content. We are confident that our strategy to maximise our value as an integrated producer broadcaster, making our content famous on our multiple platforms before distributing it around the world, is the right long term path for ITV.

While we continue to deliver growth across all parts of the Company in the UK and internationally, the market environment in which ITV operates is constantly changing which brings both challenges and opportunities. Convergence in the global media market as well as the growing impact of technology are changing the way viewers are consuming content, and in turn fuelling greater global demand for high quality content.

Therefore, as we enter the next phase of our strategy, we have placed increasing emphasis on international content creation and distribution. We will also continue to rebalance ITV and grow new revenue streams, both organically and through acquisition, as we seek new ways to monetise and deliver our content on multiple platforms, free and pay.

Our renewed three strategic priorities are therefore a natural evolution of our current strategy, focusing on the areas where we can achieve most growth, many of which we have already started to invest in as we continue to develop a creative, commercial and global organisation.

Three key areas for growth

1. Maximise audience and revenue share from free-to-air broadcast and VOD business
2. Grow international content business
3. Build a global pay and distribution business

Continue to develop a creative, commercial and global organisation

Overview

Business Model

ITV's strategic assets

ITV's competitive advantage is underpinned by three strategic assets: high quality content, our strong brand and our talented, creative people. The value we create from these assets supports our strong balance sheet and cash generation, enabling us to continue to invest in their ongoing development.

Investing in content

- Over £1 billion annually in programming for multiple platforms
- Developing and acquiring intellectual property (IP) for ITV Studios
- Financing productions both on and off-ITV to acquire global distribution rights

Investing in our brand

- Building our ITV television and main channel brand
- Extending that brand to our portfolio of channels and digital assets to reach all demographics
- Growing our portfolio of programme brands and extending those brands beyond the television set

Investing in our people

- Developing our creative, on screen, commercial and operational talent
- Attracting diversity amongst the skills, experience and makeup of our workforce
- Maximising training and development opportunities
- Driving higher employee engagement

Sources of competitive advantage

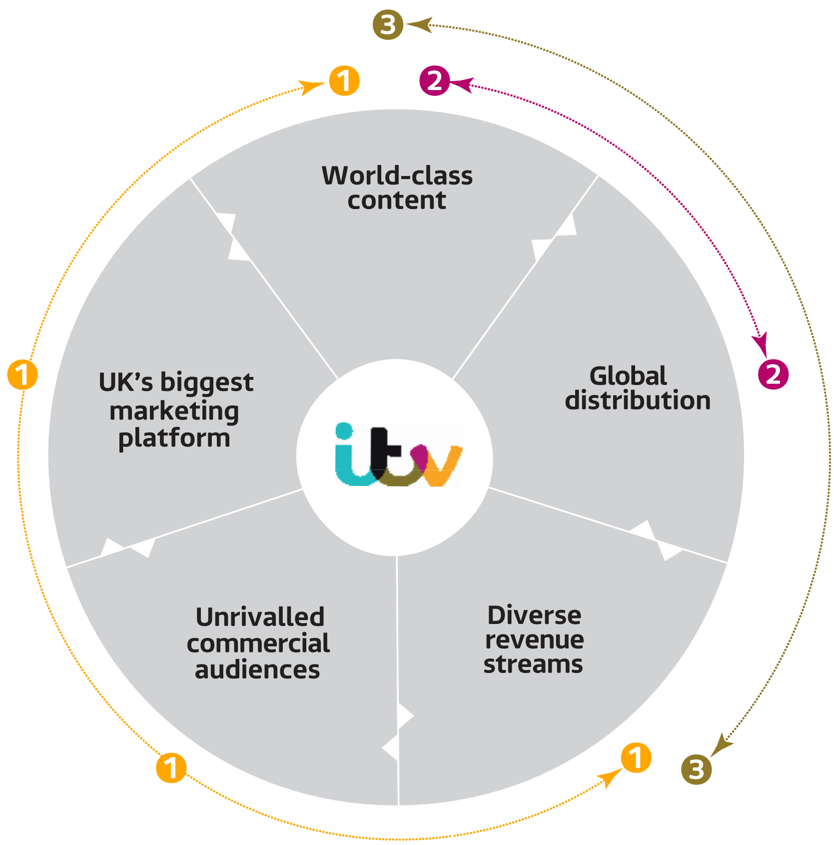
As an integrated producer broadcaster we create value from world-class content that we develop, own and distribute around the world. The scale of our free and pay platforms and our investment in our programme budget delivers unrivalled commercial audiences that drive our advertising revenue. As the UK's biggest marketing platform our channels also enable us to showcase our own content to make it famous, and give it a proven track record, before selling it internationally.

As the demand for proven content continues to grow, we are diversifying and driving new revenue streams. As well as developing our online and pay revenue, we have built a global network in the development, production and distribution of content. Through investment in our creative pipeline and strategic acquisitions in key creative markets we are building scale in our international content business, exploiting programmes and formats that travel.

1 Maximise audience and revenue share from free-to-air broadcast and VOD business

2 Grow international content business

3 Build a global pay and distribution business



Sources of competitive advantage

World-class content

- At the core of ITV is our focus on creativity and content, whether selling unique content around the world or investing in third party content to broadcast on multiple platforms.
- We benefit from our status as an integrated producer broadcaster. By showcasing our own content on our platforms we make it famous before distributing it around the world.
- ITV Studios, the largest UK commercial production company, creates content for ITV and other broadcasters in the UK.
- Internationally we operate in, and have built scale in, key global creative markets through organic growth and selective acquisitions of content companies with attractive IP and creative talent.
- In the US, the most valuable content market in the world, ITV is now the largest unscripted independent producer, and we are growing our scripted content business.

Read more on **Strategic Priorities** 1 2 3
on pages **22, 26** and **30**

Global distribution

- ITV has built relationships globally, with major networks and local broadcasters, and owns the IP to a diverse portfolio of shows for international distribution, with an emphasis on genres that return and travel, such as entertainment and drama.
- Our catalogue of finished programmes and formats is sold by Global Entertainment which is a leading European distributor of television content.
- Global Entertainment has a catalogue of over 40,000 hours of television and film content which we license to over 3,000 partners globally.

Read more on **Strategic Priorities** 2 3
on pages **26** and **30**

Unrivalled commercial audiences

- ITV invests in a varied and high quality programme schedule, funded mainly by advertising, more than any other UK commercial broadcaster. This enables us to deliver the largest commercial audiences in the UK.
- 99% of all commercial audiences over five million are on ITV.
- ITV has unique scale and reach in the UK, delivering mass audiences on our free and pay platforms across all demographics and regions.
- In 2014 we attracted 726 million long form video requests via online and on demand platforms, including ITV Player.

Read more on **Strategic Priority** 1
on page **22**

UK's biggest marketing platform

- ITV reaches around 80% of the television owning population each week, something that no other advertising medium or commercial broadcaster is able to do.
- We work with advertisers and advertising agencies to provide unique commercial partnerships and sponsorship opportunities that extend beyond the television set, benefiting from our experienced sales teams and relationships with advertisers and agencies.
- As well as mass audience exposure on our main channel we also deliver more targeted audiences on our family of channels and ITV Player.
- Our new digital channel ITVBe is targeted at a young female audience, highly sought after by advertisers, while ITV2 and ITV3 are the biggest digital channels in the UK and ITV4 reaches a highly valued male audience.

Read more on **Strategic Priority** 1
on page **22**

Diverse revenue streams

- By developing and retaining the rights to content, ITV is able to monetise the value of our current and archive content on different platforms.
- We earn pay revenue primarily from licensing our channels, including ITV Encore, and content to pay operators and online video on demand (VOD) services.
- We also monetise consumer interaction with our biggest shows through competitions and voting, thereby increasing viewer engagement.
- ITV continues to work to extend our programme brands beyond the television set through consumer products and live events.

Read more on **Strategic Priorities** 1 3
on pages **22** and **30**

Overview

Market Review

The market environment in which we operate is constantly changing. Consolidation of media and telecoms companies and the increasing influence of technology brings both challenges and opportunities that we need to be able to respond to with pace and confidence.

Global Content

Global demand for content continues to grow, with more channels, more platforms and new entrants increasing spend on high quality programming. This growth can be attributed to a number of factors, including a more successful international pay television market with more channels in more countries; convergence in the television market, where telecom and other companies with significant financial resources are increasingly competing with traditional media companies for content and viewers; new online players such as Netflix and Amazon starting to invest heavily in archive and new content; and online advertising driven platforms like YouTube and Facebook creating a new market for short form and digital content.

The US is by far the largest content market in the world, dominating the global production sector, with the UK the second largest market. This represents a significant opportunity for ITV Studios which has a strong presence in both regions.

Demand for scripted drama, and US scripted drama in particular, has increased significantly in the last few years. US studios continue to dominate the market for US drama with these companies now expanding internationally. ITV Studios America is developing a scripted business in the US in conjunction with various international partnerships. In the UK, where there is still stronger demand and higher viewing figures for UK content over imported series, we are a major producer of scripted content.

While not growing as quickly as scripted content, demand for non-scripted content remains strong as networks continue to require low cost, high volume popular series for their programme schedules. The UK remains the dominant producer of non-scripted formats, producing almost twice as many unique non-scripted formats as the US. Along with the established entertainment and factual entertainment genres, scripted reality programming, where we have focused our recent acquisitions, has grown quickly with formats such as Pawn Stars, Real Housewives and Duck Dynasty.

ITV is now a genuine global player in non-scripted content, being the largest unscripted independent producer in the US and a top indie producer in Germany, as well as the largest commercial production company in the UK. The large independent production companies, such as Endemol Shine Group and Fremantle Media, continue to be ITV Studios' main competitors in non-scripted content.

Broadcast & Online

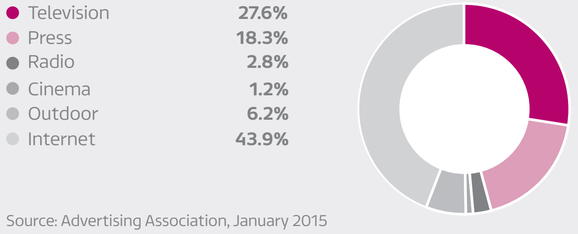
Advertising revenue

In the UK television has broadly held its share of the overall advertising market over the last five years, with a share of 27.6% in 2014 (2009: 27.5%). Internet advertising has grown its share of the UK advertising market from 27.6% in 2009 to 43.9% in 2014, making the UK one of the most developed markets for online advertising. This growth is at the expense of press advertising, which declined to 18.3% in 2014, down from 34.2% in 2009.

Within the UK television advertising market, we estimate ITV's share of broadcast was 45.9% in 2014, up from 44.7% in 2009. This demonstrates ITV's unique position in delivering mass audiences.

Within online advertising, display accounts for 32% of the total online advertising spend (2013: 30%), with the remaining 68% spent on search and classified. ITV competes within the display section of this market, providing an advertising platform around our online video content.

Television's share of the advertising market



Source: Advertising Association, January 2015

Television viewing

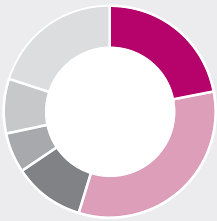
Broadcast television viewing around the world has remained resilient over the last few years and overall viewing levels have remained high. In most territories the major networks continue to dominate viewing despite significantly increased competition and a proliferation of new devices and delivery methods.

Average television viewing in the UK in 2014 was down 5% compared to 2013. However, over a longer term basis viewing has been resilient despite year on year fluctuations. UK average television viewing in 2014 was the same as it was ten years ago at 221 minutes per day, compared to 222 minutes per day in 2004 (source: BARB).

ITV competes for viewers with the BBC and other commercial broadcasters including Channel 4, Sky and Channel 5. Since the digital switchover, the number of available channels has grown which impacted the SOV of the traditional broadcasters in recent years. Despite an increase in the number of channels, ITV and BBC1 continue to be the only channels consistently able to deliver mass audiences, and in 2014 ITV once again delivered 99% of all commercial audiences over five million viewers. In 2014 the ITV family of channels received a 22.0% SOV, second only to the BBC's family of channels.

Share of viewing by broadcaster

ITV Family	22.0%
BBC Family	32.9%
Channel 4 Family	10.9%
Five Family	5.9%
Sky Family	8.3%
Other	20.0%



Source: BARB

Pay television

The platform mix in the UK is roughly 50% free-to-air and 50% pay. Free-to-air television is delivered through the services Freeview, YouView and Freesat, while pay television is delivered through the satellite operator Sky and cable operator Virgin.

Pay television revenue continues to grow in the UK in aggregate but the market dynamics are changing rapidly as established pay television providers such as Sky and Virgin come under pressure from relatively new entrants to the market such as BT and Netflix.

Increasingly homes are supplementing their free television with other forms of paid content such as subscription VOD or by purchasing additional channels from providers such as BT.

ITV participates in the pay television market, earning revenue from various third parties, including Sky and Virgin, through the licensing of channels and content. In 2014 ITV launched its first pay only television channel, ITV Encore, on the Sky platform which joins our other pay channels, ITV2 HD, ITV3 HD and ITV4 HD.

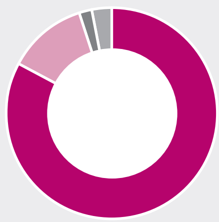
Non-linear viewing

Non-linear viewing of long form content is mostly recorded, or timeshifted, viewing and catch up of live television (linear television). It also encompasses VOD or Over The Top (OTT) delivery of other long form content such as box sets and movies.

While non-linear viewing has grown fast it still accounts for a small proportion of total viewing time. In the UK we estimate 83% of all viewing of legal long form content is live (including simulcast), with a further 12% timeshifted via a Personal Video Recorder (PVR) and watched within 28 days of the original broadcast date. Of the estimated 5% of content viewed on demand, 2% is catch up viewing of broadcaster content via the television set or to other devices such as tablets and mobiles. The remaining 3% of content is other VOD viewing, where viewing of box sets via services such as Netflix is replacing viewing of DVDs. This is growing quickly driven by increased availability of devices such as smartphones, tablets and connected televisions.

Long form content viewing

Live (including simulcast)	83%
Timeshifted (PVR) up to 28 days	12%
VOD: Broadcaster catch up	2%
VOD: Other	3%



Source: Internal estimates

Overview

Chairman's Statement

Archie Norman
Chairman

"Behind these top line results have been far reaching improvements in operations and management style. Most importantly, ITV's creative capability and ability to attract talent is stronger than ever."

Dear Shareholder

Soon after I arrived at ITV, just over five years ago, we set out our transformation programme for ITV. The business had suffered a traumatic year in 2009, was burdened with expensive debt and very exposed to the advertising cycle. Our programme was designed to create a better balanced business, capable of international expansion in the context of an increasingly digital and interconnected media world.

Under the strong leadership of Adam Crozier and his team this programme has been successfully implemented.

As a result, today we have an unrecognisably more profitable business. 45% of total revenue comes from sources other than free-to-air broadcast advertising, our balance sheet has been restored and the business is strongly cash generative. Our content business is growing steadily and now has a truly international footprint. Our Online, Pay & Interactive businesses are growing and profitable and, in our UK Broadcast business, relationships with our advertising customers have been transformed and we launched new channels for the first time in many years.

Behind these top line results have been far reaching improvements in operations and management style. Most importantly, ITV's creative capability and ability to attract talent is stronger than ever.

The success of the transformation programme provides a solid platform for ITV to deliver the next phase of growth. As much as the business has changed, so the market for television and content is also changing and will continue to pose challenges for the traditional television model. It is important we have a clear eyed view of how the changing landscape will affect our business. Already we are seeing shifts in viewing habits as more people watch content on multiple devices and catch up and, as connected television becomes more commonplace, new global viewing platforms are emerging. With our very strong content portfolio and the power of the integrated producer broadcaster model, these developments provide opportunities for ITV but, undeniably, they also present a continued imperative for change.

For all these reasons we have set out in this report very clear strategic priorities for the next phase of development. This will include sustaining investment in our UK Broadcast flagship, continuing to develop the new Online and Pay businesses, and growing international content and distribution. Most importantly, ITV is becoming an increasingly international business, drawing on top creatives and producers from across Europe and the USA. Underpinning this next phase is the strength of our management team which we continue to build across all geographies.

Selective acquisitions have and will continue to be an important part of this strategy. Our objective is to build a global network of outstanding content businesses and talent and we have already built a large scale presence in unscripted production in the US. However, all acquisitions bring with them management challenges and financial risk and therefore we have put in place clear financial criteria and a rigorous programme of due diligence overseen by the Audit Committee and ultimately the Board.

With the strength of our balance sheet and cash flows we are now able to reward shareholders with a progressive increase in the dividend, and a special dividend to return capital not required for investment in the growth of the business. Our approach is to maintain an efficient balance sheet that allows us flexibility for further investment. Therefore, while we will look to increase our leverage over time we remain conservative, mindful of the technology risks faced by the industry and the volatility of the advertising market.

At Board level our philosophy is to maintain a small Non-executive team, closely engaged with the business and supportive of the management team, whilst embracing the principles of transparency and open debate. Last year Dame Lucy Neville-Rolfe joined Her Majesty's Government and we congratulate her on her important new role: she leaves with our thanks for her valuable contribution. Mary Harris has joined the board and brings new qualities from her consulting background and extensive board experience.

Finally, probably more than any other business of our scale in the UK, we are a people and talent business. The people we employ and the talent who work with us define our product. It is their efforts that have made us successful and I want to say a big "thank you" to them on behalf of the Board.

Archie Norman
Chairman

Pictured:
Broadchurch returned for a second series at the beginning of 2015. The series averaged 9.2 million viewers and a 30% share.

Strategy and Operations

Chief Executive's Review

Adam Crozier
Chief Executive

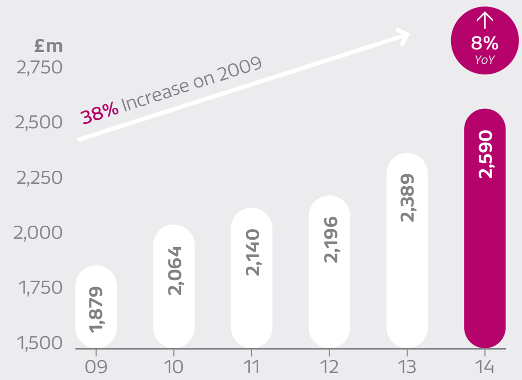
Growing a creative, commercial and global organisation

"We have recorded double digit profit growth for the fifth consecutive year reflecting growth across all areas of the business."

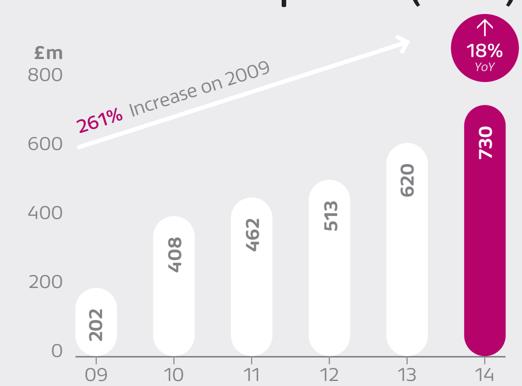
ITV delivered another strong performance in 2014 building on the significant progress we have made rebalancing, strengthening and growing the business. We have recorded double digit profit growth for the fifth consecutive year reflecting growth across all areas of the business.

It's been five years since we launched our strategy for growth and, despite challenging economic conditions and the rapidly changing media landscape, performance has improved in every part of the business. Since 2009, ITV external revenue has increased 38%, EBITA before exceptional items is up over 250% to £730 million and we have increased adjusted EPS over 650% and basic EPS by over 400%. Our cash position has also significantly improved, enabling us to deliver attractive shareholder returns, with over £650 million cash returned over five years, while continuing to invest for further growth.

Group external revenue growth



EBITA before exceptionals (EBITA)



ITV today is a much stronger business, creatively, commercially and financially and we've made good progress on revenue diversification as we have rebalanced the business away from our dependence on UK spot advertising. Our international content business, ITV Studios, is now a global player of scale, with almost half its revenue generated outside the UK, and we will continue to grow the business both organically and through targeted acquisitions in key creative markets. Our Broadcast business remains robust and continues to deliver unrivalled audience reach for advertisers, while Online, Pay & Interactive revenue is growing strongly and is now a material and profitable part of the business.

As we continue to execute our strategy, we remain focused on our original vision of ITV as an owner and producer of world-class content. We will continue to rebalance the business and grow new revenue streams and there will be increasing emphasis on international content creation and distribution. Our renewed strategic priorities are therefore a natural evolution of our current strategy, focusing on the areas where we can achieve most growth:

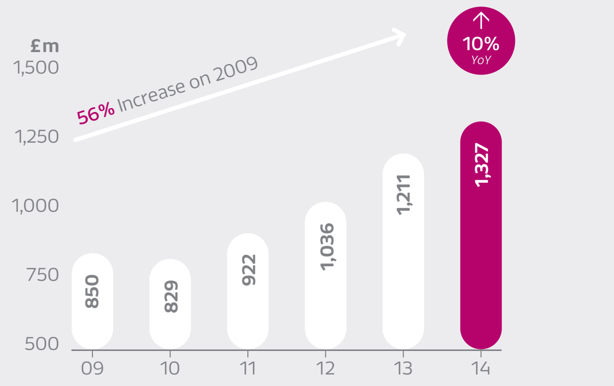
1. **Maximise audience and revenue share from free-to-air broadcast and VOD business**
2. **Grow international content business**
3. **Build a global pay and distribution business**

We are confident that by maximising our value as an integrated producer broadcaster and making our content famous on our multiple platforms before distributing it around the world, we will continue to deliver strong growth in the UK and internationally.

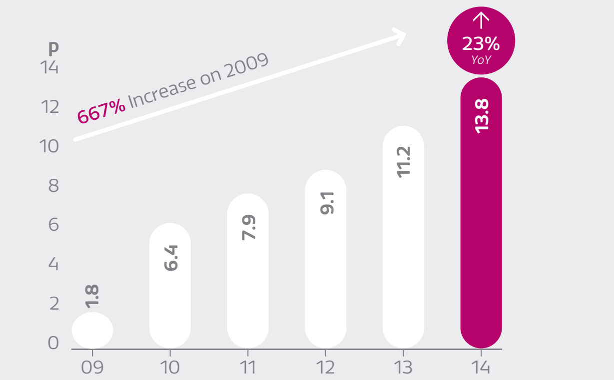
Delivering value from investment in quality content

In 2014 we grew external revenue by 8% to £2,590 million, reflecting 6% growth in NAR to £1,629 million (2013: £1,542 million) and over £100 million growth in non-NAR to £1,327 million (2013: £1,211 million), up 10%. We have remained disciplined in our cost control, with the result that Group EBITA before exceptional items increased 18% to £730 million (2013: £620 million), corresponding to an improved EBITA margin of 28% (2013: 26%). Overall we have delivered another strong performance, with adjusted EPS up 23% to 13.8p (2013: 11.2p), and basic EPS up 40% to 11.6p (2013: 8.3p).

Non-NAR revenue growth



Adjusted EPS



Broadcast & Online revenue was up by £127 million or 7% to £2,023 million (2013: £1,896 million), with EBITA before exceptional items increasing 17% to £568 million (2013: £487 million). The advertising market showed continued improvement in 2014 with good growth across the major categories. NAR was up 6% over the full year, reflecting our best outperformance of the UK advertising market for five years.

Over the year we also strengthened the ITV Family with the launch of our first new channels in almost a decade. ITV Encore, a new pay channel, has been on screen since June, while ITVBe, a free-to-air channel targeted at a young female demographic, launched in October.

Strategy and Operations

Chief Executive's Review continued

Photo Credit: Ben Queenborough/BPI/REX

ITV Family SOV declined 5% in 2014, following a strong year in 2013 when we were up 4%. This largely reflects a 4% decline in the ITV main channel SOV. Although benefitting from the World Cup in June, the main channel delivered a lower audience share against strong competition from the BBC. ITV2 also contributed to the decline, partly as a result of more competition from new UK digital channels in the year, but also due to our repositioning of the channel to provide more targeted audiences for our advertisers through the launch of ITVBe. We remain focused on improving viewing performance, both on screen and online.

Significant further progress in rebalancing the business and driving new revenue streams

Online, Pay & Interactive is an increasingly important, profitable and high margin part of the business. Revenue increased 30% in 2014 driven by growth in Online as we further improved the quality, reliability and distribution of ITV Player, as well as strong growth in Pay as we develop new revenue streams.

ITV Studios also continues to perform well as we build scale in attractive content markets. Total revenue increased 9% in 2014 to £933 million (2013: £857 million) reflecting our purchase of Leftfield Entertainment (Leftfield) as well as growth in international production and distribution. Following this acquisition, ITV is now the largest unscripted independent production company in the US and an increasingly international business with almost half of ITV Studios revenue generated outside the UK. In 2014 we delivered a 22% increase in ITV Studios EBITA before exceptional items to £162 million (2013: £133 million).

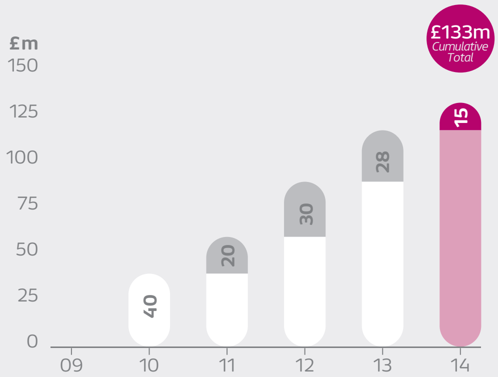
Pictured:
Left: England's World Cup match against Uruguay on ITV was the most watched programme on any channel in 2014, peaking with 20.3 million viewers and averaging a 67% audience share.

Right: The eighth series of ITV Studios drama Lewis averaged 6.1 million viewers and a 23% audience share. Lewis has sold to more than 150 countries.

Clear opportunities for further investment while increasing shareholder returns

Over the last five years we have considerably improved ITV's balance sheet efficiency and in 2014 we continued to demonstrate strong profit to cash conversion, generating £478 million free cash (2013: £433 million) before investment and capital returns to end the year with net cash of £41 million (31 December 2013: £164 million).

Cumulative cost efficiency savings

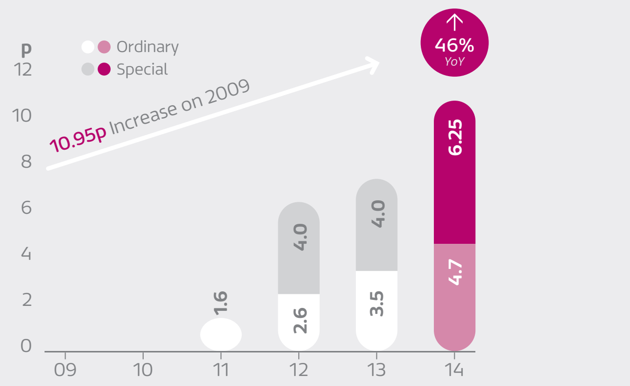


Reflecting our confidence in the ongoing growth and cash generation of the business, the Board has committed to growing the full year ordinary dividend by at least 20% per annum for three years to 2016, by when we will achieve a dividend cover of between 2.0 and 2.5 times adjusted earnings per share. In line with this policy, the Board is proposing a final dividend for 2014 of 3.3p, which equates to a full year dividend of 4.7p (2013: 3.5p), up 34%.

ITV is now a more balanced business with strong underlying cash flows. As we enter the next phase of our strategy we continue to see investment opportunities to grow the business and enhance shareholder value but at the same time the Board recognises the importance of maintaining capital discipline and balance sheet efficiency. Therefore it is appropriate over time to increase our balance sheet leverage gradually while retaining the flexibility to continue to invest.

In line with this approach, the Board is proposing a £250 million return to shareholders by way of a special dividend of 6.25p.

Dividend per share



Remaining responsive to a changing media environment

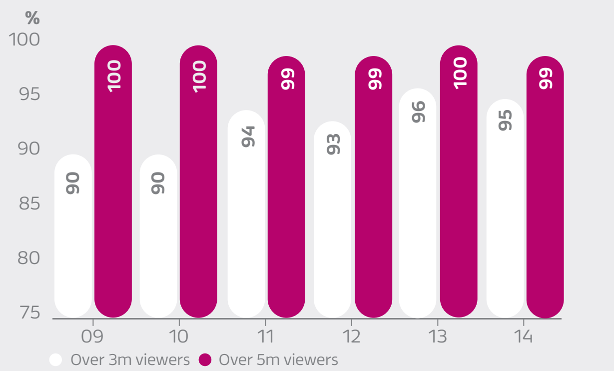
While the market environment in which we operate is constantly changing, it is clear that there continues to be a strong global demand for high quality content. ITV is capitalising on this demand as we further diversify our revenue streams through our investment in creative talent and production and through our unique ability to distribute content across multiple platforms, both free and pay.

We are also aware that viewers, especially the younger generation, are increasingly changing the way they consume content. The digital revolution has dramatically increased the number of devices and platforms on which content is viewed, and Online is now one of the fastest growing businesses within ITV. In response, we continue to invest in the quality and accessibility of ITV Player, available on over 20 platforms, as well as seeking new ways to monetise and distribute our content.

At the same time, although VOD is growing rapidly, viewing of broadcaster and other VOD still only accounts for around 5% of total viewing of long form content. On average viewers still spend 221 minutes per day watching television, the same as in 2004 (2004: 222 minutes), with the majority of content still watched live. Unlike any other medium, television has the power to bring audiences together and live television in particular has demonstrated resilience and a growing relevance as viewers increasingly connect through social media.

Television also remains the most efficient and effective way for brands to achieve mass simultaneous reach. ITV is the biggest marketing platform in the UK, reaching around 80% of the television owning population every week and providing access to 99% of all commercial audiences over five million. As a result our family of channels continues to be in high demand from advertisers, and the significant profit and cash generated from our advertising revenue means that our Broadcast business remains central to our strategy.

Proportion of all commercial audiences delivered by ITV



In our view, technological advances in the availability and delivery of content will serve to support overall viewing time growth as we provide our viewers with access to a wider range of sought after content. ITV is well positioned to benefit from our commercial scale, the growing demand for high quality content, and the way we are able to maximise our revenue from the delivery and distribution of that content.

Strategy and Operations

Chief Executive's Review continued

Confident in delivering further strong growth in 2015 and beyond

We expect to deliver another strong performance in 2015 with continued revenue growth across all parts of the business.

The television advertising outlook remains positive with the economic recovery driving advertising growth. ITV Family NAR is expected to be up 11% in the first quarter of 2015 and up 4-7% in April and, based on our estimates, we expect to outperform the television advertising market again over the full year. We remain focused on improving SOV and we will continue to invest in our programme schedule in 2015 to support a full year of our new channels as well as overall viewing performance on screen and online.

New dramas in 2015 include Jekyll and Hyde, Home Fires, Arthur and George and we'll also have the return of Doc Martin, Downton Abbey and Vera as well as the launch of Thunderbirds Are Go. Although we are disappointed that we will no longer hold the live rights for the Champions League from autumn, we still have a strong sporting schedule in 2015 including exclusive rights to the Rugby World Cup.

Online, Pay & Interactive revenue will continue to grow strongly as we further improve the distribution of our content, capitalising on the growing demand for VOD. We will continue to invest in ITV Player and look to grow the level of interaction and engagement with our viewers while at the same time exploring new pay services, such as ITV Encore.

In 2015 we expect ITV Studios again to deliver around £100 million of revenue growth on a constant currency basis, with a return to good organic growth supported by a full year of the acquisitions we completed in 2014. We will start to see the benefit of our investment in scripted content and we will look to continue to develop our pipeline through further investment in creative talent and content.

Overall, we see clear opportunities for further investment across the business and, benefitting from our strong financial position and cash conversion, we are confident in delivering continued growth while improving shareholder returns. The media landscape is changing rapidly and we increasingly expect growth to come from international content creation and our online, pay and distribution operations.

To ensure we maximise the value of our investment in high quality content, in the medium term we will continue to drive the debate around the implementation of retransmission fees in the UK, in particular the repeal of legislation that currently prevents us from having a normal commercial negotiation with the pay television platforms.

We are confident that ITV's financial strength and its strategic advantages including the scale of our UK channels, our unrivalled commercial audience reach, our growing global network in the development, production and distribution of content, as well as the quality of our people, places us in a strong position to continue to develop and grow the business.

Pictured:
Left: Emmerdale averaged 6.7 million viewers over 2014 and a 32% share.

Right: The X Factor averaged 9.0 million viewers over its 34 episodes and reached over 40 million viewers.

Building a responsible business that benefits all stakeholders

The success of our strategy depends not just on our operational efficiency, but also on the way we interact with our stakeholders, the wider community and the environment. Our responsibility strategy is positioned at the heart of everything we do with the aim of building a responsible and sustainable business.

We ensure we are a responsible broadcaster by adhering to our legislative and regulatory requirements. In addition, we recognise that our actions and our reach can influence society and have an impact on our reputation. We therefore work to identify issues that are material to ITV and matter to our stakeholders, helping us to manage reputation risk as well as leverage our audience reach to benefit our communities.

In 2014 we introduced the Social Partnership, which has integrated key areas of corporate responsibility into our commissioning process to ensure our priorities are reflected in the companies who make programmes for our schedule.

Read more **Content** online at **itvresponsibility.com/social-partnership**

Our responsibility priorities:

Our responsibility strategy is focused around three priorities: inclusiveness, community and environment.

Inclusiveness

To continue our success as an integrated producer broadcaster, attracting the largest possible audiences, we need to ensure that our on screen talent and workforce reflect our own and our viewers' communities, that our services and programmes are accessible and that our workplace is inclusive.

Our progress will be measured through the continued collation of workforce, programme and services data to help monitor and drive activity around this agenda. ITV is also a key partner in a pan-industry project to standardise the collation of diversity information from across the industry.

Data around our workforce profile can be found on our website. As at 31 December 2014, women made up 51% of our workforce (31 December 2013: 51%).

Gender split

	Male		Female	
Board of Directors	**7**	**87.5%**	**1**	**12.5%**
Senior managers*	**14**	**70.0%**	**6**	**30.0%**
All employees†	**2,544**	**48.8%**	**2,673**	**51.2%**

* Of the six female senior managers, five were directors of consolidated Group companies.

† Employee gender split based on total headcount at the end of 2014.

More broadly, we use United Nations human rights frameworks as guiding principles to ensure the welfare of our employees in the UK and internationally and, in 2014, ITV was the first UK broadcaster to be accredited as a Living Wage employer meaning anyone employed or contracted by ITV via a third party organisation will receive the Living Wage as a minimum.

Community

We want our stakeholders to speak positively about our brand and recognise the contribution we make to society and communities. We strive to tackle social topics in an authentic way, alongside specific appeals and campaigns, where we leverage our reach to raise awareness, recruit volunteers or raise money for charity.

In 2014 the public gave over £12 million for charitable causes in direct response to our on-air appeals, such as Text Santa. We also inspire our viewers to take part in social action campaigns, and through these and our appeals ITV also dedicated valuable airtime to raising awareness and promoting the services of our charity partners.

Environment

Across our business, we rely on energy and often depend on the resources of local communities to help in the production and broadcast of programmes. Our aim is to be considerate in our actions, reduce waste and promote efficiency. For example, we now utilise 100% green energy in all buildings owned by ITV.

Read more **Content** on our greenhouse gas disclosures on **page 65**

2015 and beyond

More examples and data relating to our commitment and progress against our three responsibility priorities can be found on our dedicated responsibility website as well as within the Directors' report.

Read more **Content** online at **itvresponsibility.com**

Strategy and Operations

Performance Dashboard

1 Maximise audience and revenue share from free-to-air broadcast and VOD business

Milestones achieved

- ITV NAR growth of 6%, our best outperformance of the UK advertising market in five years
- Share of broadcast up to 45.9% in 2014 (2013: 45.4%)
- Innovative sponsorship and brand extension partnerships with advertisers
- Launched new free-to-air channel ITVBe providing a more targeted female demographic for our advertisers
- ITV2 and ITV3 largest digital channels
- Long form video requests up 26%
- Further improved quality and reach of ITV Player
- 8.0m registered users of ITV Player, up 129% in 2014

Focus for 2015

- Economic recovery driving advertising growth
- Improve on screen viewing in key demographics
- Strengthen our content, channels and brand to maintain our unique scale
- Grow our share of total television and VOD advertising
- Continue to drive new revenue streams through sponsorship, interactivity and brand extensions
- Support platforms that make ITV content prominent
- Further invest in the quality and distribution of ITV Player

Key Performance Indicators

- ITV Family SOV
- ITV Family SOCI
- ITV Family share of broadcast
- Total long form video requests

Read more on **Strategic Priority** 1 on **page 22**

2 Grow international content business

Milestones achieved

- ITV Studios' share of ITV main channel output increased to 60%
- 13% growth in off-ITV production revenue in the UK
- Continued investment in creative pipeline with 5,700 hours of original content produced and delivered
- Completed three acquisitions including Leftfield, our biggest acquisition to date
- Now the largest unscripted independent producer in the US
- Almost half of ITV Studios revenue generated outside the UK with 24% growth in international production revenue
- Three US scripted series in production

Focus for 2015

- Continue to develop IP in key creative markets to exploit growing worldwide demand
- Maximise the use of our strong cash flows to finance the production of high profile dramas that return and travel
- Over time build a portfolio with six to ten new scripted series per annum
- Develop more 16 to 24 focused content
- Attract and retain key creative talent
- Continue to look at acquisitions

Key Performance Indicators

- Number of new commissions for ITV Studios
- Percentage of ITV output from ITV Studios

Read more on **Strategic Priority** 2 on **page 26**

3 Build a global pay and distribution business

Milestones achieved

- Grew pay revenue by 63%
- Launched ITV Encore, our first pay only channel which was profitable from day one
- Announced new deal with Sky and extended Virgin deal for another year
- Continuing to trial direct to consumer pay opportunities
- Invested in three digital content businesses: Believe, Indigenous and Zealot
- Invested in Cirkus, a subscription VOD service for the Nordics
- Launched 12 YouTube channels focusing on short form content
- A leading European distributor of content with Mr Selfridge, Lewis and Hell's Kitchen US sold to over 150 countries
- 12 formats sold to three or more countries

Focus for 2015

- Explore new models for content creation
- Develop new pay services and channels to take advantage of demand in the UK and internationally
- Consider wider partnerships with OTT / VOD players
- Secure retransmission fees in the medium term
- Scale international distribution business
- Invest in developing third party distribution deals
- Package and sell our content to maximise its value

Key Performance Indicators

- Number of new commissions for ITV Studios

Read more on **Strategic Priority 3** on **page 30**

Key Performance Indicators across all three priorities

Our Key Performance Indicators (KPIs) align our performance and accountability to our strategy of continuing to develop a creative, commercial and global organisation. Five KPIs measure the Group's operational and financial performance across all three priorities:

EBITA before exceptional items

Adjusted EPS

Profit to cash conversion

Non-NAR revenue

Employee Engagement

Read more on our **KPIs** on **page 34**

Pictured:
The third series of Paul O'Grady: For the Love of Dogs averaged 4.7 million viewers and a 20% share. Its most watched episode attracted 5.4 million viewers.

Strategy and Operations

Strategic Priority

1

Maximise audience and revenue share from free-to-air broadcast and VOD business

ITV has unique scale, delivering 99% of all commercial audiences over five million. We invest over £1 billion annually in our programming, significantly more than our commercial competitors, and have an unrivalled ability to deliver mass audiences across all demographics for our advertisers. This scale and the strength of our brand underpin the success of our free-to-air and on demand platforms.

Robust broadcast business remains central to our strategy

While the media environment is changing rapidly, our broadcast business has performed consistently well over the last few years and has generated significant profit and cash, supported by our strong programme schedule, tight cost control and a sustained recovery in the UK advertising market. Since 2009 we have maintained our market leading position as the only commercial broadcaster consistently able to deliver mass audiences to our advertisers, and over this period we have grown our share of broadcast from 44.7% to 45.9% in 2014.

During this time, traditional linear television viewing has remained resilient, despite significant changes in the availability and delivery of content. Average television viewing is the same as it was ten years ago, at 221 minutes per person per day compared to 222 minutes in 2004, and the majority of viewing is still live. The viewer experience has been improved by a greater choice of channels and greater flexibility in delivery, fuelling demand for high quality content that has the power to engage and bring audiences together.

Television remains the most efficient and effective way for brands to achieve mass simultaneous reach and ITV, as the biggest marketing platform in the UK, continues to be in high demand from advertisers. In 2014, ITV Family NAR grew by 6% with growth across the major categories, supporting our best outperformance of the advertising market for five years.

In addition to the ITV main channel delivering mass audiences we also deliver targeted audiences to our advertisers through our digital channels. ITV4 had a strong year in 2014 attracting male audiences, which are hard to reach, with live sport and movies. ITV2 and ITV3 remain the largest digital channels in the UK and our ambition is to have the most watched, most loved and most talked about family of channels for every household and every advertiser in the UK.

Our portfolio was further strengthened in the year by the launch of ITVBe in October, targeted at a young female audience and now the home to The Only Way Is Essex. This enabled us to reposition ITV2 for a more targeted younger audience who remain an important part of our commercial proposition as we look to grow our viewing and revenue share across all demographics.

Ongoing focus on improving viewing performance

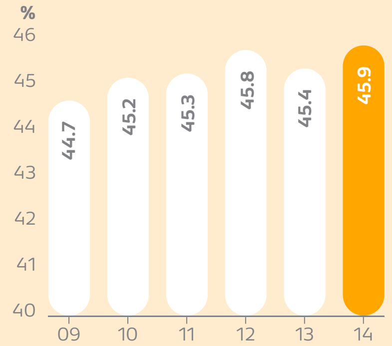
Our family of channels provides an important platform to make ITV content famous before exploiting it internationally. We therefore remain very focused on improving on screen performance to ensure we continue to deliver mass audiences through standout content that underpins our brand.

ITV Family share of broadcast

Maintaining our market leading position

Share of broadcast increased in the year as we benefitted from the World Cup and our consistent ability to deliver highly demanded mass and target audiences to our advertisers.

Read more on **NAR** on **page 40**



In 2014 ITV broadcast the most watched programme of the year with the **England v Uruguay** World Cup match, the most watched soap with **Coronation Street**, the most watched new drama with **Cilla** and the most watched entertainment programme with **Britain's Got Talent**

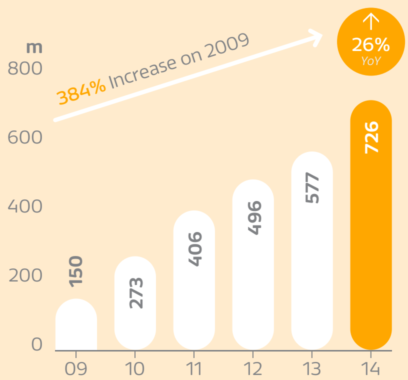
8 million
registered users of ITV Player
up 129% since 2013

Long form video requests

Strong demand for ITV VOD

Long form video requests were up 26% in 2014, supported by an improved ITV Player interface and increased distribution and reach of our VOD content.

Read more on our **Online business** on **page 25**



99%
of all commercial audiences over five million in 2014 were delivered by ITV

Over £1 billion invested in programming for our family of channels

21% growth in Online revenue

ITV2 and ITV3 are the UK's two largest digital channels

Over 750k tickets sold to live events **in 2014**

ITV Player

launched on new platforms in 2014 including Windows Phone 8, Sky Go, Now TV, Roku and Amazon Kindle Fire. Now available on **more than 20 platforms**

22% share of viewing for the ITV Family in 2014

Strategic Priority 1 continued

ITV Family SOV declined 5% in 2014, following a strong year in 2013 when we were up 4%. This largely reflects a 4% decline in the ITV main channel SOV. Although benefitting from the World Cup in June, the main channel delivered a lower audience share against strong competition from the BBC. ITV2 also contributed to the decline, partly as a result of more competition from new digital channels in the year, but also due to our repositioning of the channel to provide more targeted audiences for our advertisers through the launch of ITVBe. ITV Family SOCI was down 5%, with the ITV main channel down 6%.

Despite this, we still enjoyed some real successes this year, airing the most watched programme of 2014 with the England vs Uruguay World Cup match, as well as the most watched entertainment show with Britain's Got Talent, the most watched comedy with Birds of a Feather and the most watched new drama with Cilla.

Other notable successes have included The X Factor, I'm A Celebrity... Get Me Out Of Here!, Ant and Dec's Saturday Night Takeaway, Grantchester, Prey, Vera and Downton Abbey.

Our core schedule, which underpins the ITV brand, also continues to perform well. Coronation Street was again the most watched soap of the year, averaging 8.4 million viewers in 2014. Overall, ITV continues to gain strong recognition for the quality of our programming and calibre of our talent. In 2014 we won 101 awards including eight BAFTAs.

As we look ahead to 2015 we remain focused on improving SOV. While still drawing strong audiences, some of our most successful shows are maturing. We will therefore continue to rejuvenate our schedule, creatively and commercially, increasing our investment in high quality content and seeking new ways to maximise the value of our airtime.

Pictured:
Coronation Street is the UK's most watched soap, averaging 8.4 million viewers per episode in 2014. 2014 also saw the launch of the highly successful Coronation Street set tour in Manchester, which attracted over 400,000 visitors.

Capitalising on the growing demand for VOD

Changes in technology and the growing base of connected devices are supporting a rapid growth in audiences' appetite for VOD, which in turn is fuelling demand from new and existing platforms for high quality content and from advertisers for VOD inventory. ITV, as the creator and owner of content, particularly highly sought after long form drama content, is well placed to exploit this growing customer base.

Our Online business has grown strongly over the last few years, with growth in online viewing driving revenue up 21% in 2014. ITV Player, through which audiences can access ITV on different devices, is now contributing meaningful revenue to the Group.

Since launch, there have been over 16.5 million downloads of the ITV Player app and in 2014 we improved its interface, enhancing the user experience by making the most popular content more prominent. We also relaunched our Android and iOS apps in the year to improve the delivery of live streaming content.

There was continued strong growth in long form video requests in 2014, up 26%. We have been working to increase the distribution and reach of our content and ITV Player is now available on over 20 platforms having launched on a number of new platforms in 2014, including Windows Phone 8, Sky Go, Now TV, Roku and Amazon Kindle Fire.

Additionally, with eight million users of ITV Player now registered, up 129% year-on-year, we continue to explore how we can maximise the value of our digital data. Not only will this enable us to understand and communicate with our audiences better but we are also looking at integrating targeting into the advertising server to enable more addressable online advertising.

Maximising the value of our airtime

We are continually working to maximise the value of the 30 second advertising spot and drive new revenue streams through sponsorship, interactivity and brand extensions. We helped a number of brands implement successful sponsorship campaigns and off-air endorsements in 2014 including Littlewoods with I'm a Celebrity... Get Me Out Of Here!, Dolmio with Saturday nights on ITV, Pets At Home with Paul O'Grady For The Love Of Dogs and Morrisons with Britain's Got Talent and Saturday Night Takeaway.

Along with our unique commercial partnerships, ITV exclusively broadcast the premiere of Sainsbury's Christmas advertising campaign as well as broadcasting an entire advertising break recreating existing television adverts in LEGO in partnership with Warner Bros. We are also offering advertisers the opportunity to extend campaigns beyond the television spot as the first broadcaster to partner with Twitter Amplify.

We continue to seek new ways to build more value from our brands through various initiatives to increase consumer engagement. Over 40 million votes were cast for The X Factor in 2014, with the new free app driving significantly higher engagement. We are also continuing to extend our brands into off-air experiences, selling over 750,000 tickets in the year for live events such as Ant & Dec's Takeaway On Tour, The Big Reunion Boyband tour and the successful Coronation Street set tour. In addition, in 2014 there were over 900,000 combined downloads of our Tipping Point and The Chase mobile apps.

2015 and beyond

As the viewing and advertising landscape continues to fragment, the scale of audience delivered by our biggest shows on the ITV family of channels becomes increasingly valuable.

Our priority for 2015 is therefore to improve our on screen performance, strengthening our content, channels and brand to maintain ITV's unique scale. As a result, we have invested in our programme schedule for the year across the premium genres of drama, entertainment and sport as well as special events around our 60th anniversary.

New dramas in 2015 will include Arthur and George, The Forgotten, Safe House and Jekyll and Hyde, while we have a number of new and returning entertainment shows including Newzoids, Eternal Glory and Saturday Night Takeaway. Additionally, Thunderbirds Are Go, our children's drama, merchandising and licensing initiative, will be broadcast in spring 2015.

Although we are disappointed that we will no longer hold the live rights for the Champions League from the autumn, we still have a strong sporting schedule in 2015 with exclusive rights to the Rugby World Cup, England qualifiers and friendlies, the French Open and Tour de France in the year.

Overall, despite our viewing performance being down in 2014, strong advertising momentum has continued into the start of 2015 and the television advertising outlook remains positive. ITV Family NAR is expected to be up 11% in Q1 and up 4-7% in April. Our Broadcast business will benefit from a full year of our new channels and online revenue will continue to grow strongly as we further improve the quality and distribution of ITV Player.

Strategy and Operations

Strategic Priority

2

Grow international content business

Growing a strong international content business is central to our strategy as an integrated producer broadcaster. As ITV creates and owns more content, our channels provide a platform to showcase our programmes before distributing them across multiple platforms in the UK and internationally.

Building scale in attractive markets

The strong global demand for high quality content from broadcasters and platform owners provides a significant opportunity for ITV Studios. Our strategy is to capitalise on this demand by growing our international production presence, building scale in attractive production markets and developing IP in creative markets that has the ability to travel the world.

The US and UK are the dominant creative markets, with the US the largest exporter of scripted content and the UK the world leader for exported formats. Over the last three years, ITV has built significant scale in both markets on the back of organic growth and 11 acquisitions. We are building real momentum as we continue to invest in a strong and healthy creative pipeline, focusing specifically on genres that return and travel, namely drama, entertainment and factual entertainment.

As a result, we have cemented our position as the number one commercial producer in the UK. We are already the largest unscripted independent producer in the US as well as a top indie in Germany and a growing player in the Nordics.

Expanding our creative production pipeline

Our focus in the next phase of our growth strategy is on leveraging the scale we have in our current markets to grow our market share and expand the number of global networks and OTT players we work with, especially in the US.

ITV now has a strong portfolio of successful series and formats that are returning year after year and can be distributed globally. We are looking to expand our portfolio across a more diverse range of programming genres, particularly long-running scripted series that appeal to the international market. In addition to formats produced in-house we are growing our portfolio by partnering with new creative talent who are attracted to our independent status outside of the UK, our distribution capability and strong network relationships, and we are also acquiring and investing in third party IP.

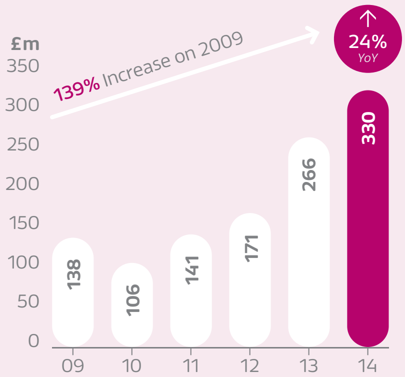
Benefitting from the Group's strong financial position, cash generation and global distribution we are also retaining more IP by producing drama straight to series in the UK and US. Although more expensive than producing a pilot, this helps attract high profile talent to a production and raises the profile of the series to support its distribution. The production cost is partly funded by pre-selling the series to a network, while the remainder, the 'deficit', is covered by revenue from the international distribution of the finished product. As our portfolio grows, we will have a number of shows at different stages of the production cycle thereby balancing our financial exposure at any one point in time.

International production revenue

Now a global player of scale

We delivered 24% growth in international production revenue in 2014 with US revenue up by 34% and revenue for the rest of the world up 4%.

Read more on **ITV Studios revenue** on **page 42**



ITV Studios US now generating
141 programmes and 884 hours
of content annually in
partnership with 45 networks

Upcoming deliveries of programming in 2015 include
Thunderbirds Are Go
and 3 US scripted dramas

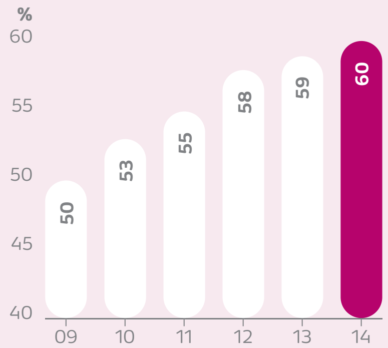
Percentage of ITV* output from ITV Studios

Growing our internal creative capability

Making more commissions from ITV Studios famous on our multiple platforms before distributing them around the world.

* Excludes ITV2, 3 and 4

Read more on **page 37**



Largest unscripted independent producer of content **in the US**

149
new commissions in 2014
up from 121 in 2013

12 formats
sold to 3 or more countries
36 formats
sold internationally

1,200
episodes of new series delivered
and over 5,000
episodes of recommissions

ITV Studios content won **5 BAFTAs in the year**

Three
acquisitions in 2014,
with 11 acquisitions in total since 2012

5,700
hours of original
content produced and delivered in 2014

Strategy and Operations

Strategic Priority 2 continued

Investing to build an international business

Our acquisitions to date have been focused on factual and scripted reality producers in the US and UK, the two key markets with a track record for creating and owning IP. We are looking for companies with a solid financial and creative track record as well as a strong pipeline. By maintaining this strict acquisition criteria, ITV has become a top global player in non-scripted production.

In 2014 we made three acquisitions as we look to continue to diversify our revenue streams and increase our reach. In February we acquired a 51% controlling interest in DiGa Vision (DiGa), a US independent producer of reality and scripted programming, and 100% of United Production (United), a Danish producer of factual and entertainment programmes.

In May we made our largest acquisition to date, purchasing 80% of Leftfield Entertainment, a high margin US producer of reality programmes, for an initial cash payment of $360 million. Leftfield also owns Sirens Media and has established two joint ventures, Loud Television and Outpost Entertainment. Together the group produces more than 300 hours of unscripted programming for over 30 US networks with a portfolio that includes Pawn Stars, American Restoration and The Real Housewives of New Jersey.

These businesses add to our growing portfolio of production companies acquired over the last three years which have included Gurney Productions, High Noon Entertainment and Thinkfactory Media in the US, The Garden Productions, Big Talk Productions and So TV in the UK, as well as Tarinatalo and Mediacircus in the Nordics.

We are also looking to develop joint ventures with key creative talent, such as our scripted drama and comedy partnership with Marty Adelstein which launched Tomorrow ITV Studios in 2014. More recently, we announced a new entertainment label within ITV Studios, Possessed Television, in partnership with Glenn Hugill.

Number one commercial producer in the UK

Local content in the UK continues to drive the largest audiences and, as an integrated producer broadcaster, ITV is well placed to benefit from this demand. 60% of the total spend on original commissions on the ITV main channel is now with ITV Studios, up from 50% in 2009.

In 2014, ITV Studios total UK revenue was up 1% to £459 million (2013: £456 million) with growth impacted by the proportion of the ITV Broadcast programme budget allocated to the FIFA World Cup. This reduced the available spend on internal drama and entertainment shows in the year. However, during the year we continued to grow the number of shows that return and travel with 2014 recommissions for ITV including Mr Selfridge, Saturday Night Takeaway and Big Star's Little Star.

Off-ITV we delivered new series of The Graham Norton Show and In It To Win It for the BBC, and Come Dine With Me and 24 hours in A&E for Channel 4.

We continue to receive strong recognition for the quality of our programming and calibre of our talent and won five BAFTAs for our content in 2014.

Top international indie producer

Our international production business is growing strongly, with revenue up 24% to £330 million (2013: £266 million) in 2014.

We are now the largest unscripted independent producer in the US, generating 141 programmes and 884 hours of content in 2014 in partnership with 45 networks. US revenue increased 34% to £235 million in 2014 (2013: £175 million) reflecting the acquisition of Leftfield and the longevity and international appeal of our successful returning series. In response to network demand, we have built a strong portfolio of high volume formats and shows that return year after year. Examples delivered in 2014 included Hell's Kitchen USA, Pawn Stars and Duck Dynasty.

Our other international bases in Germany, France, Australia and the Nordics produce their own original formats alongside UK formats. International revenue increased 4% in 2014 to £95 million (2013: £91 million) driven by good organic growth in Germany and France. Germany benefitted from commissions in the year which included Quizduell, series eight of Ich Bin Ein Star (the German version of I'm a Celebrity... Get Me Out Of Here!), Hell's Kitchen and Mini Beiz, Dini Beiz while France benefitted from Four Weddings and Party Wars. Other international successes delivered during the year included The Chase in Norway, Keeping the Nation Alive in Norway and Denmark, and Big Star's Little Star in Finland.

Pictured:
Texas Rising is co-produced by ITV Studios, with Global Entertainment holding the global distribution rights.

2015 and beyond

We look ahead to 2015 with confidence as the production lead times give us good visibility of our upcoming deliveries. We expect ITV Studios again to deliver around £100 million revenue growth on a constant currency basis reflecting a return to good organic growth, helped by our investment in global scripted content and supported by a full year of our 2014 acquisitions. As ever, ITV's revenue growth will not be spread evenly throughout the year because of the phasing of the delivery schedule required by our network and cable customers.

New commissions to be delivered in 2015 will include dramas Jekyll and Hyde, Home Fires and the relaunch of Thunderbirds Are Go in the UK, I'm a Celebrity... Get Me Out Of Here! in Australia and Saturday Night Takeaway in the US. While our drama production has historically been focused on the UK market, we are growing our scripted presence in the US and have three large scale dramas, Aquarius, Texas Rising and The Good Witch that will go straight to series in 2015.

Longer term, leveraging our network relationships and global scale in production and distribution, our strategy is to have an ongoing portfolio with six to ten international scripted series in production per annum. We will also look to accelerate growth through further acquisitions while working to attract and retain key creative talent to ensure our creative pipeline remains strong.

Strategy and Operations

Strategic Priority

3

Build a global pay and distribution business

As digital media and consumer viewing behaviour continue to evolve, our ability to create and distribute high value content in new and efficient ways is of increasing significance. ITV is continually exploring, experimenting and developing our pay services with broadcasters and platform owners while also seeking new opportunities to extend the reach of our content for the consumer.

Exploring new models for content creation

As the way in which our viewers consume content changes, especially amongst the younger generation, we are growing our exposure to new types of content including short form and younger-focused long form programming. In 2014 we agreed a deal with YouTube to launch a number of short form channels including I'm A Celebrity... Get Me Out Of Here!, The Chase and our soaps.

We are also building a presence in international digital production. Our acquisition of US producer DiGa in the first half of 2014 gave ITV exposure to digital formats.

Following this, in 2014 we have made three further investments in the digital arena as we look to develop greater expertise in monetising online audiences. In September 2014 we made small investments in Indigenous Media, a producer of scripted digital content, and Believe Entertainment Group, a producer of digital-branded short form entertainment. Most recently, in December 2014 ITV made an investment in Zealot, a digital content multi-platform network founded by Danny Zappin, former CEO of YouTube multi-channel network Maker Studios.

Generating new sources of pay revenue

ITV earns revenue from pay television through licensing our channels and content. In 2014 Pay revenue grew by 63% as we negotiated and renewed a number of deals.

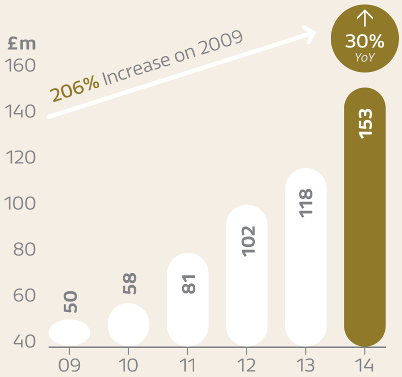
Most significantly, in January 2014 we announced a new four-year deal with Sky, which makes ITV content available through Sky's range of connected platforms including Sky+HD, Sky Go, Now TV and Sky Store. This deal included our first ever pay only channel, ITV Encore, which we launched in June. Additionally in 2014, we extended our deal with Virgin for another year covering HD versions of ITV2, ITV3 and ITV4 as well as our new FTA channel ITVBe, and signed several other deals including new deals with BT and TalkTalk.

Online, Pay & Interactive revenue

Now a material and profitable part of the Group

Reflects strong growth in Online and Pay as we further diversify our revenue streams.

Read more on **Online, Pay & Interactive Revenue** on **page 41**



Global Entertainment revenue up 7% to **£144m**

In June 2014 we launched our new pay television channel **ITV Encore** profitable from day one

Invested in three digital content businesses: **Believe, Indigenous and Zealot**

Launched 12 **YouTube** channels in 2014 with ten following in 2015

63% growth in Pay revenue

Global Entertainment is a leading **European distributor of** television content

A library of over **40,000** hours of TV and film content

More information on **Global Entertainment** can be found at **www.itvplc.com**

Investment **in Cirkus** a subscription VOD service

Mr Selfridge, Lewis and Hell's Kitchen US sold to over **150 countries**

4 year deal **with Sky** to make ITV content available through Sky's platforms including Sky+HD, SkyGo, Now TV and Sky Store

Strategy and Operations

Strategic Priority 3 continued

We are also looking to develop wider partnerships with on demand players as consumer demand for VOD continues to grow. For example, in the year we made an investment in Cirkus, a UK-based subscription VOD service that offers the 'best of British' television content to pay television platforms and their customers across the Nordic region.

There remains scope to grow our UK pay revenue further through extensions of our existing propositions as we experiment with new ways of monetising our content.

Past initiatives have included: trialling pay opportunities on ITV Player for episode premieres of programmes; our ad-free subscription ITV Player app on iOS which has been well received; and, most recently we made the first series of the comedy Cockroaches available exclusively online one week ahead of its broadcast, intended to enhance viewer awareness and engagement with the show's young audience. We will continue to trial new sources of pay revenue as we further develop our pay strategy.

Pictured:
Mr Selfridge returned for a second series in January 2014 with a series average of 6.3 million viewers and a 23% share. The third series started airing in 2015. Mr Selfridge has been sold to over 150 countries.

A leading European distributor of television content

ITV Studios, through Global Entertainment, has a substantial archive of over 40,000 hours of television and film that we distribute to broadcasters around the world. This is predominantly ITV produced programming, with 2014 successes including Hell's Kitchen US, Mr Selfridge and Lewis which have all been sold to over 150 countries.

We are benefitting from the growth in our UK and international production businesses as well as deeper network relationships as we build scale. In 2014 Global Entertainment increased revenue by 7% to £144 million (2013: £135 million).

In addition to distributing ITV's own content, we are adding to our catalogue through the distribution of third party content. In 2014 we acquired the third party distribution rights to a number of international dramas including Schitt's Creek from Canada, Jordskott from Sweden and Poldark from Mammoth in the UK.

Global Entertainment also continues to license ITV and third party formats successfully. The number of UK formats sold internationally to three or more countries has increased from eight in 2013 to 12 in 2014 including I'm A Celebrity... Get Me Out Of Here!, Saturday Night Takeaway, The Chase and Tricked.

However, while Global Entertainment has a stable core of long-running series for international distribution, it takes time for the creative pipeline of production to reach its full value potential. The business's available inventory naturally expands as we produce and acquire new content and in 2015 we expect to see good growth in our distribution revenue from our strong creative pipeline, our investment in scripted content, and further third party distribution agreements.

2015 and beyond

Overall, looking ahead we expect continued good growth in pay revenue as we develop further new ways to package and sell our content to take advantage of demand in the UK and internationally. We will benefit from a full year of ITV Encore and we will continue to explore new pay services and channels while growing our exposure to new types of content, including digital.

Global Entertainment remains well positioned for growth as we expand our inventory in 2015. In addition to our existing programme and format archives, we will have new content available for distribution including our three new US dramas as well as the benefit of Thunderbirds Are Go which has already sold to countries including the UK, Australia, New Zealand and Israel.

Lastly, to ensure we maximise the value of our investment in high quality content, we will continue to drive the debate around the implementation of retransmission fees in the UK. In 2015 we will continue efforts to change the terms of UK and EU policy debate around the issue and support our argument with strong evidence, such as the Nera report we commissioned on the USA's retransmission consent scheme. We will build on existing support in both the House of Commons and the House of Lords in the next Parliament and continue our conversations with the regulator, Ofcom, to make the case that we should be fairly compensated by the major pay TV platforms in return for access to the content on the ITV main channel.

Pictured:
Left: Aquarius, produced by Tomorrow ITV Studios in the US, is a new 13 part drama starring David Duchovny. It is due to air on NBC in 2015.

Right: Jordskott, a contemporary Nordic thriller, is distributed by Global Entertainment.

Performance and Financials

Key Performance Indicators

We have defined our KPIs to align our performance and accountability to our strategy.

These KPIs are the key measures of success and cover all three strategic priorities. Following the renewal of our strategic priorities our KPIs remain unchanged.

Our Strategic Priorities

1. **Maximise audience and revenue share from free-to-air broadcast and VOD business**
2. **Grow international content business**
3. **Build a global pay and distribution business**

Read more on **Strategic Priorities** on **pages 22–33**

EBITA before exceptional items

Related Priority

1 2 3

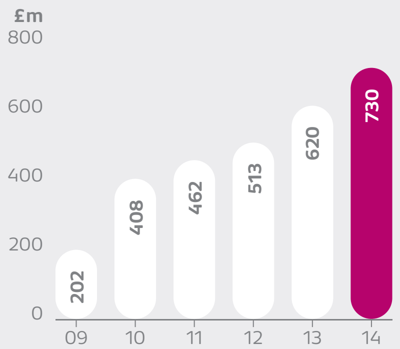
Definition

This is the key profitability measure used across the whole business. Earnings before interest, tax and amortisation before exceptional items (EBITA) reflects our performance in a consistent manner and in line with how the business is managed and measured on a day-to-day basis.

Performance

In 2014 EBITA increased by £110 million or 18%. This increase was a result of the 8% increase in Group external revenue which was driven by a 6% increase in net advertising revenue, a 30% increase in Online, Pay & Interactive revenue and a 34% increase in US productions within ITV Studios. We continued to retain tight control over our cost base, delivering a further £15 million of cost savings in 2014.

Group EBITA margin once again increased, up to 28% from 26% in 2013.



Adjusted EPS

Related Priority

1 2 3

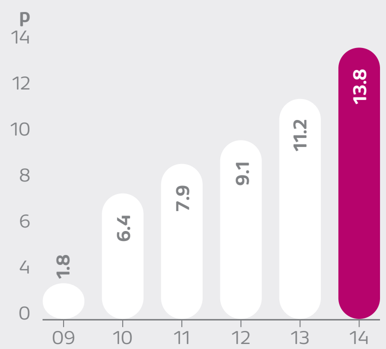
Definition

Adjusted EPS represents the adjusted profit for the year attributable to equity shareholders. Adjusted profit is defined as profit for the year attributable to equity shareholders before exceptional items, impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments and other tax adjustments.

It reflects the business performance of the Group in a consistent manner and in line with how the business is managed and measured on a day-to-day basis.

Performance

Adjusted EPS increased by 23% or 2.6p to 13.8p. This reflects the increase in EBITA before exceptionals of 18%, and a reduction in adjusted financing costs.



Profit to cash conversion

Related Priority

1 2 3

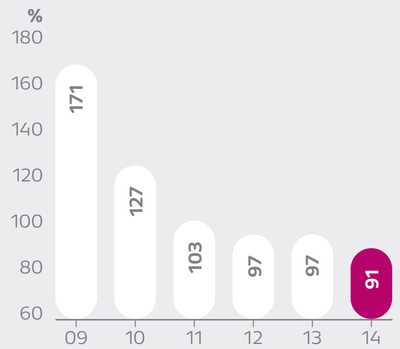
Definition

Profit to cash conversion represents the proportion of EBITA converted into a measure of adjusted cash flow (defined as cash generated from operations before exceptional items less cash related to the acquisition of operating property, plant and equipment and intangible assets).

This primarily reflects our working capital management and capital expenditure control. Our aim is to keep profit to cash conversion as high as possible.

Performance

Profit to cash has been maintained at a strong level in excess of 90%. The ratio was lower than 2013 as a result of the increased investment in scripted content in 2014 which will continue in 2015.



Employee engagement

Related Priority

1 2 3

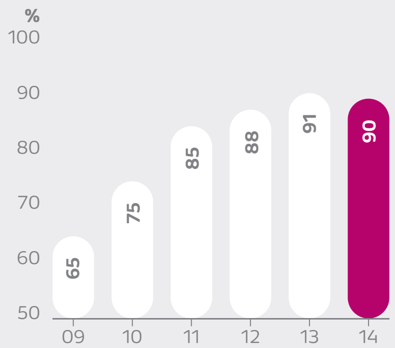
Definition

Continuing to develop a creative, commercial and global organisation requires high quality employees who are engaged in the work that they do, and are committed to the strategy.

Employee engagement measures pride in the work we do, pride in working for ITV and also what we say about our programmes and services.

Performance

Employee engagement was once again high at 90%. Although this is slightly below 2013's rate of 91% it is still well above benchmarks. The participation rate was 80%, also above the benchmark rate.



ITV Family SOV

Related Priority

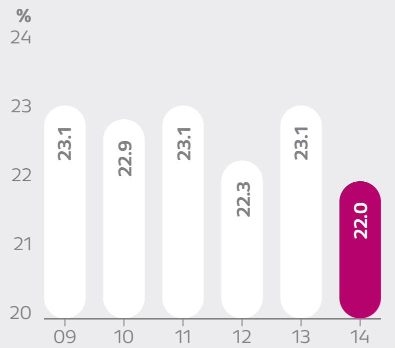
1

Definition

Strategic Priority 1 aims to maximise audience share from our existing free-to-air broadcast business, and ITV Family SOV is the clearest indicator of this. ITV Family SOV is ITV's share of the total viewing audience over the year achieved by ITV's family of channels as a proportion of total television viewing, including the BBC Family. ITV aims at least to maintain the ITV Family SOV.

Performance

Following a strong 2013, ITV Family SOV declined by 5% in 2014 to 22.0%. Within this, the ITV main channel saw a decline of 4%, impacted by the strong performance of the BBC. The digital channels were also down, with ITV2 contributing most significantly to the decline as a result of more competition from new UK digital channels in the year, but partly also due to our repositioning of the channel to provide more targeted demographics for our advertisers through the launch of ITVBe.



Key Performance Indicators continued

ITV Family SOCI

Related Priority

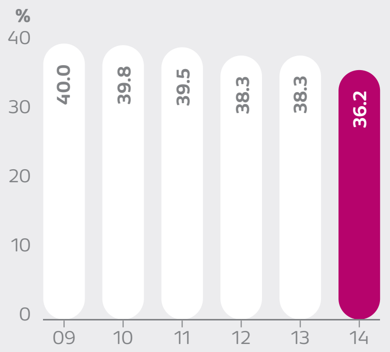
1

Definition

Strategic Priority 1 aims to maximise audience share from our existing free-to-air broadcast business, and ITV Family SOCI is another key indicator of this. SOCI is the trading currency in the television advertising market, and since it only covers commercial television it does not include the BBC. This is the share of total UK television commercial impacts which is delivered by ITV's family of channels. An impact is one viewer watching one 30 second commercial. We aim to maximise our SOCI.

Performance

After holding SOCI flat in 2013 ITV Family SOCI was down 5% in 2014, with the main channel down 5%. Within the digital channels a strong performance from ITV4 was offset by a decline for ITV2 as we repositioned the channel to provide more targeted demographics for our advertisers through the launch of ITVBe.



ITV Family share of broadcast

Related Priority

1

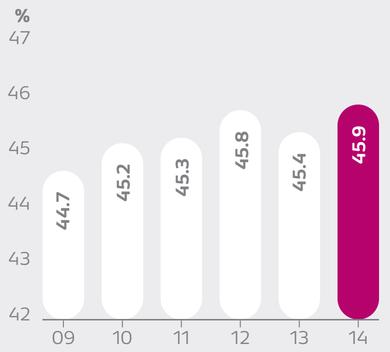
Definition

ITV's share of UK television advertising revenue is known as its share of broadcast. To maximise revenue from our free-to-air business, which is a key component of Strategic Priority 1, we aim to continue to maximise our share of broadcast and to outperform the UK television advertising market.

It is getting increasingly difficult to measure the total television advertising market as all broadcasters have different definitions and include sources of revenue other than pure spot advertising. Our share of broadcast is based on our estimate of the pure spot advertising market.

Performance

ITV share of broadcast increased to 45.9% in 2014, and we saw our strongest outperformance of our estimate of the UK television advertising market for five years.



Total long form video requests

Related Priority

1

Definition

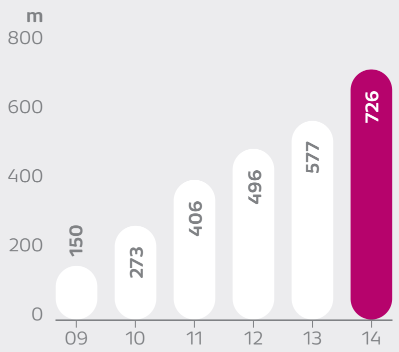
A key part of our strategy is to maximise audience share from our free-to-air broadcast and VOD business.

Long form video requests is a measure of the total number of our videos viewed across all platforms on which ITV Player is available and therefore provides a key measure of how much of our content is being viewed online.

A long form video is a programme that has been broadcast on television and is available to watch online and on demand in its entirety.

Performance

Long form video requests were up 26% in 2014 to 726 million views. The growth rate in 2014 accelerated, up from 16% growth in 2013. Growth in long form video requests continued to be driven by mobile and tablet viewing.



Non-NAR revenue

Related Priority

1 2 3

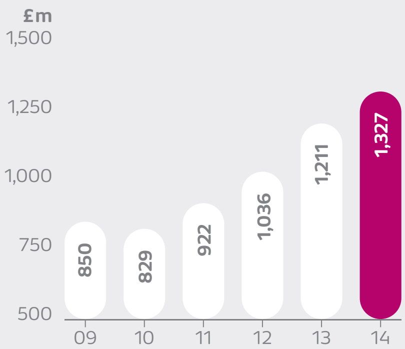
Definition

Growing non-NAR is key to the strategy as we aim to rebalance the business away from our reliance on television advertising revenue. Non-NAR includes all ITV revenue, both internal and external, except NAR.

Key drivers of non-NAR are the growth in Online, Pay & Interactive and ITV Studios, particularly international.

Performance

Non-NAR revenue increased by 10% in 2014 as we continue to rebalance the business away from a reliance on NAR. Growth was driven by international Studios revenue, including the acquisition of Leftfield in the US, and from Online and Pay revenue.



Number of new commissions for ITV Studios

Related Priority

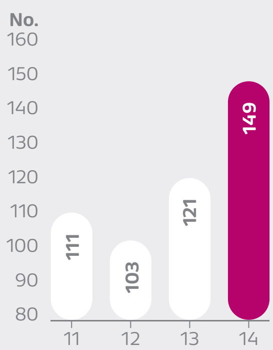
2 3

Definition

A key indicator of the creative renewal pipeline is the number of new commissions won. This figure includes programmes shown both on ITV and on other broadcasters, and both in the UK and internationally.

Performance

There was strong growth in the number of new commissions for ITV Studios in 2014, up 23% to 149. 69 of these new commissions have come from the UK business, with the remaining 80 coming from our international businesses.



Percentage of ITV* output from ITV Studios

Related Priority

2

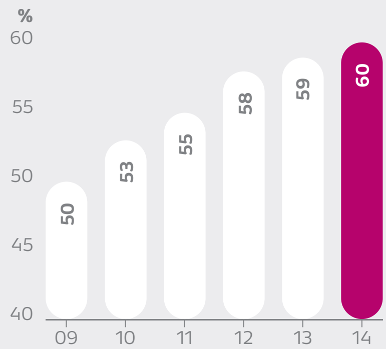
Definition

This represents the proportion of the total spend on original commissions on ITV transmitted in the year, delivered by ITV Studios. A key part of building a strong international content business is to increase ITV Studios' supply of programmes to ITV, where we aim to make them famous and then sell them around the world, benefitting from our integrated producer broadcaster status.

* Excludes ITV2, 3 and 4.

Performance

The percentage of ITV output from ITV Studios has continued to grow in 2014, up from 59% in 2013 to 60% in 2014. This improvement was driven by an increase in factual and entertainment programming.



Performance and Financials

Financial and Performance Review

Ian Griffiths
Group Finance Director

Another year of strong growth in all parts of the business

"As we enter the next phase of our strategy we continue to see investment opportunities to grow the business and enhance shareholder value."

We have delivered another strong performance in 2014, with revenue growth in all parts of the business. Together with our relentless focus on cash and costs, we are reporting our fifth consecutive year of double digit profit growth and end the year with a strong balance sheet providing the flexibility to invest for further growth in 2015 and beyond.

Twelve months to 31 December	**2014 £m**	2013 £m	Change £m	Change %
NAR	**1,629**	1,542	87	6
Total non-NAR	**1,327**	1,211	116	10
Total revenue	**2,956**	2,753	203	7
Internal supply	**(366)**	(364)	(2)	1
Total external supply	**2,590**	2,389	201	8
EBITA before exceptionals	**730**	620	110	18
Group EBITA margin	**28%**	26%		
Adjusted EPS	**13.8p**	11.2p	2.6p	23
Adjusted diluted EPS	**13.7p**	10.8p	2.9p	27
Dividend per share	**4.70p**	3.50p	1.20p	34
Special dividend	**6.25p**	4.00p	2.25p	56
Year end net cash	**41**	164	(123)	(75)

The profit before tax and EPS from the Consolidated Income Statement are as follows:

Twelve months to 31 December	**2014 £m**	2013 £m	Change £m	Change %
Profit before tax	**605**	435	170	39
EPS	**11.6p**	8.3p	3.3p	40
Diluted EPS	**11.5p**	8.1p	3.4p	42

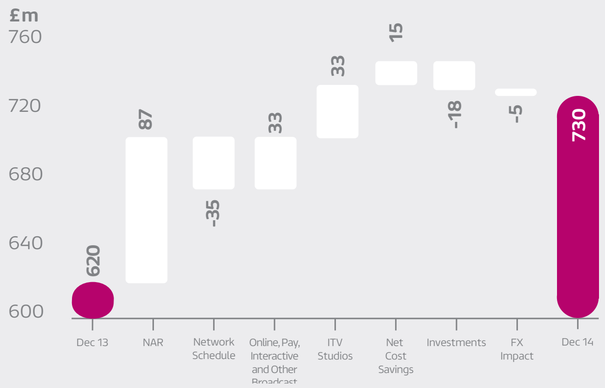
Total ITV revenue increased 7% in 2014 to £2,956 million (2013: £2,753 million), with external revenue up 8% at £2,590 million (2013: £2,389 million). This reflects 6% growth in NAR and another year of strong growth in non-NAR, up 10% to £1,327 million (2013: £1,211 million) as we further rebalanced the business. Non-NAR now accounts for 45% (2013: 44%) of total revenue.

Pictured:
Left: Celebrity Squares with Warwick Davis averaged 2.9 million viewers and an 11.6% audience share.

Right: New series The Keith Lemon Sketch Show on ITV2 attracted 1.6 million viewers for its first episode.

Non-NAR revenue tracker

EBITA before exceptionals



Together with our higher margin new revenue streams and disciplined cost control we delivered 18% growth in EBITA before exceptionals to £730 million (2013: £620 million), corresponding to an improved EBITA margin of 28% (2013: 26%). Overall, adjusted EPS was up 23% to 13.8p.

Through our ongoing focus on cost control and working capital management, we delivered £15 million of cost savings while remaining strongly cash generative. Our profit to cash conversion ratio remained strong at 91%, despite significant investment in scripted programming. We also continued to take steps to improve balance sheet efficiency, and bought back a further £62 million of debt in the year to reduce our financing costs. Even after three acquisitions, increased dividend payments and our pension deficit contributions, we ended 2014 with net cash of £41 million (2013: £164 million).

The Financial and Performance Review focuses on the adjusted results which, in management's view, reflect the underlying performance of the business, providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The adjusted results are reconciled to the reported results in the EPS section that follows.

Adjusted profit before tax and EPS remove the effect of items including acquisition related costs, impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments, restructuring costs and other tax adjustments.

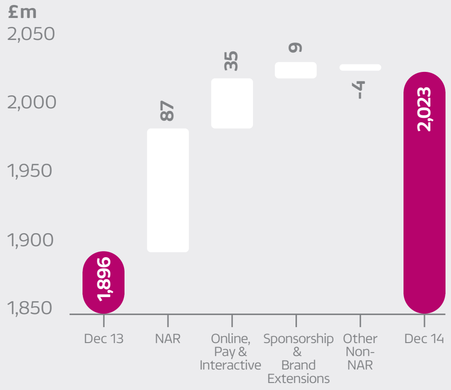
Performance and Financials

Financial and Performance Review continued

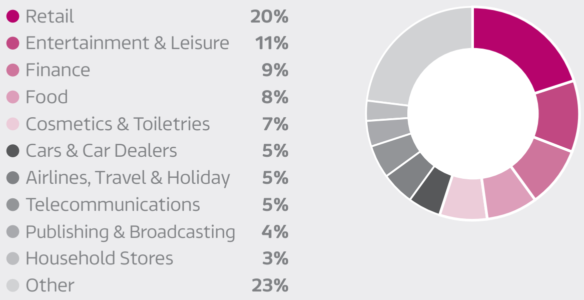
Broadcast & Online

Twelve months to 31 December	2014 £m	2013 £m	Change £m	Change %
NAR	**1,629**	1,542	87	6
SDN external revenue	**71**	71	–	–
Online, Pay & Interactive	**153**	118	35	30
Other commercial income	**170**	165	5	3
Broadcast & Online non-NAR revenue	**394**	354	40	11
Total Broadcast & Online revenue	**2,023**	1,896	127	7
Total schedule costs	**(1,018)**	(983)	(35)	4
Other costs	**(437)**	(426)	(11)	2
Total Broadcast & Online EBITA before exceptional items	**568**	487	81	17
EBITA margin	**28%**	26%		

Broadcast & Online revenue tracker



2014 advertising category analysis



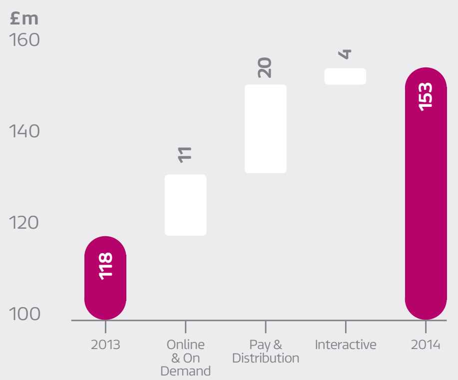
Broadcast & Online delivered another strong performance with revenue up £127 million to £2,023 million (2013: £1,896 million) driven by 6% growth in NAR and continued strong growth in Online, Pay & Interactive revenue.

The advertising market showed continued improvement in 2014 with good growth across the major advertising categories. Retail sales were again strong, driven by increased competition in the food retail sector as well as growth in furniture and department stores. Entertainment & Leisure also performed well, with increased advertising and promotions around the World Cup. Within Food there was good growth in the drinks, beverages and cooking product categories, while within Airlines, Travel & Holiday there was growth from online travel agents. Telecommunications remained down in the year due to lower new product launches following a strong year in 2013.

Overall, we increased our share of broadcast to 45.9% (2013: 45.4%) and delivered our strongest outperformance of the UK advertising market in five years, based on our estimate of the pure spot market. ITV NAR increased 6% compared to 5% growth in the market, although it is increasingly difficult to measure the market as all broadcasters use different definitions, which may include additional sources of revenue as well as pure spot advertising. Advertising growth was geared towards the second quarter with increased spend around the World Cup and, while we expect to outperform the advertising market again in 2015 there will be fluctuations across the year driven by major events such as the Rugby World Cup and the timing of Easter.

ITV Family SOV declined 5% in 2014, following a strong year in 2013 when we were up 4%. This largely reflects a 4% decline in the ITV main channel SOV. Although benefitting from the World Cup in June, the main channel delivered a lower audience share against strong competition from the BBC. ITV2 also contributed to the decline, partly as a result of more competition from new UK digital channels in the year, but also due to our repositioning of the channel to provide more targeted audiences for our advertisers through the launch of ITVBe. We remain focused on improving viewing performance, both on screen and online.

Online, Pay & Interactive revenue



Online, Pay & Interactive revenue increased 30% to £153 million (2013: £118 million), driven by £11 million growth in Online and £20 million growth in Pay. In 2014 we further improved the quality, reliability and distribution of ITV Player, now available on over 20 platforms, which supported continued strong growth in long form video requests, up 26%. We also continued to develop our pay services, renewing a number of deals in 2014 as well as launching ITV Encore, our first pay only channel. Interactive revenue was up £4 million due to higher income from competitions.

Pictured:
Left: Britain's Got Talent was the most watched entertainment series in 2014 on any channel with a series average of 10.3 million viewers.

Right: Prey averaged an audience of 7.2 million viewers over its three parts with an audience share of 26%.

SDN external revenue, which is generated from licence sales for DTT Multiplex A, was in line with 2013 at £71 million. In 2014 the full year benefit of the 13th video stream, which launched in 2013, was offset by lower renewal fees on existing video streams, a trend likely to continue.

Other commercial income increased 3% to £170 million (2013: £165 million), reflecting growth in sponsorship and brand extensions as we build more value from our airtime for both advertisers and for ITV. For example, in 2014 we sold over 750,000 tickets for events including the Coronation Street set tour and the Saturday Night Takeaway live tour.

Other commercial income also includes revenue from media sales, which relates to commission earned by ITV on sales of airtime for the non-consolidated licensees, as well as minority revenue from these licensees for ITV content. Both delivered revenue in line with last year.

Schedule costs were up £35 million year on year to £1,018 million (2013: £983 million) as a result of the World Cup and also increased programming spend relating to our new channels. In 2015 we will continue to focus on our schedule to improve viewing share, investing in high quality content for our existing channels as well as a full year of programming for our new channels.

Other costs increased modestly, up 2% year on year, due to marketing costs around our new channels as well as online investment. We continue to manage our overheads tightly to mitigate inflationary pressures and fund continued investment in the business.

Overall, reflecting the strong growth in higher margin Online, Pay & Interactive revenue, as well as good growth in our highly geared advertising revenue, Broadcast & Online EBITA before exceptional items was up 17% at £568 million (2013: £487 million) while the EBITA margin increased 2% to 28%.

Performance and Financials

Financial and Performance Review continued

ITV Studios

Twelve months to 31 December	2014 £m	2013 £m	Change £m	Change %
Studios UK	**459**	456	3	1
Studios US	**235**	175	60	34
Studios RoW	**95**	91	4	4
Global Entertainment	**144**	135	9	7
Total Studios revenue	**933**	857	76	9
Total Studios costs	**(771)**	(724)	(47)	6
Total Studios EBITA before exceptional items	**162**	133	29	22
Studios EBITA margin	**17%**	16%		

Twelve months to 31 December	2014 £m	2013 £m	Change £m	Change %
Sales from ITV Studios to Broadcasting & Online	**366**	364	2	1
External revenue	**567**	493	74	15
Total Studios revenue	**933**	857	76	9

In 2014 we again delivered strong revenue growth in ITV Studios as we continue to build scale in attractive content markets. Total revenue increased 9% to £933 million (2013: £857 million) reflecting our purchase of Leftfield and growth in international production and distribution as we become a more global business. Total organic revenue, which excludes our current and prior year acquisitions as well as foreign exchange movements, was up 1%. A decline in Studios UK was offset by organic growth from international productions and Global Entertainment.

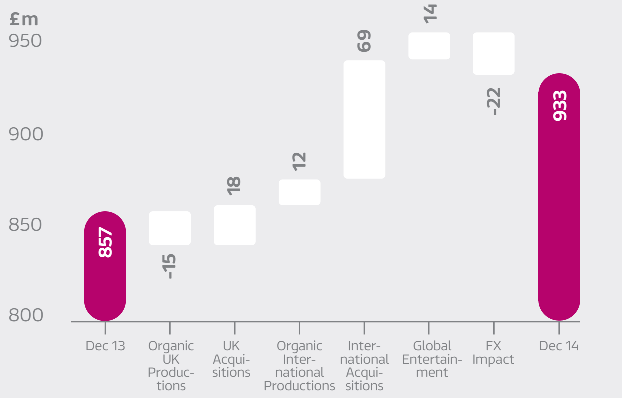
Almost half of Studios revenue is now generated outside of the UK and, as well as being the number one commercial producer in the UK, we are also now the largest unscripted independent producer in the US and a leading European distributor of television content.

Studios UK revenue was up 1% in the year and within this, internal revenue was also up 1%. However, organic revenue was down 4% as growth in factual and daytime was more than offset by a reduction in drama, due to the proportion of the ITV Broadcast programme budget allocated to the World Cup.

In the year we successfully delivered further recommissions as we continue to grow the number of shows in our portfolio that return and travel. On-ITV deliveries in 2014 included Mr Selfridge, Saturday Night Takeaway, Judge Rinder and The Chase. Off-ITV deliveries included The Graham Norton Show and Our Zoo for the BBC, and Come Dine With Me and 24 Hours in A&E for Channel 4. In 2015 we also expect a return to good organic growth from our upcoming new UK dramas, including Jekyll and Hyde, Home Fires, The Trials of Jimmy Rose and Beowulf as well as Thunderbirds Are Go.

Studios US revenue was up 34% in 2014 to £235 million (2013: £175 million), reflecting our acquisition of Leftfield. Organic revenue was up 5% in the year and we expect good organic growth to continue in 2015. We now have a strong portfolio of successful series and formats that are returning year after year including The Real Housewives of New Jersey, Pawn Stars and Duck Dynasty, and we will start to see the benefit of our investment in US drama in 2015, with three large-scale dramas, Aquarius, Texas Rising and The Good Witch, all due for delivery in the year.

ITV Studios total revenue tracker



Revenue from Studios RoW increased 4% to £95 million (2013: £91 million), reflecting our acquisition of United Productions in Denmark as well as good organic growth, up 7% at constant currencies. In Germany programme deliveries included Hell's Kitchen, Quizduell and Mini Beiz, Dini Beiz, and in France programme deliveries included Party Wars, Four Weddings and Saturday Night Takeaway. Other international successes delivered across our global production network included The Chase in Norway and Big Star's Little Star in Finland.

Global Entertainment revenue was up 7% to £144 million (2013: £135 million) in 2014. We continue to benefit from the growth in our UK, US and RoW businesses as well as deeper network relationships as we build scale.

Pictured:
The Widower averaged 7.5 million viewers and was the second most watched new drama on any channel in 2014.

Successes in the year included Hell's Kitchen US, Lewis and Mr Selfridge, which have all sold to over 150 countries. Additionally, 12 of our formats are now produced in three or more countries including I'm A Celebrity... Get Me Out Of Here!, The Chase, Keeping The Nation Alive, Surprise Surprise and Saturday Night Takeaway.

While Global Entertainment has a stable core of long-running series, its available inventory naturally expands as we produce and acquire new content. In 2015 we expect to see good growth in our distribution revenue from new programmes including our US scripted dramas and Thunderbirds Are Go, which has already pre-sold to countries including Australia, New Zealand and Israel.

Overall ITV Studios' EBITA before exceptional items increased 22% to £162 million (2013: £133 million) and the EBITA margin increased by 1% to 17% as we benefitted from a higher margin revenue mix as a result of our acquisitions as well as production efficiencies in the year.

As we grow our international business, foreign exchange movements increasingly impact our reported performance. On a constant currency basis, which assumes exchange rates remained consistent with 2013, ITV Studios revenue in 2014 would have been £22 million higher, and EBITA would have been £5 million higher.

Overall, ITV Studios' revenue is again expected to be up around £100 million in 2015 on a constant currency basis. We are increasing our investment in programming, and have produced three high profile US dramas straight to series. Aquarius, Texas Rising and The Good Witch have been pre-sold to US networks, recovering part of our production investment, while the remainder, the 'deficit', will be recovered as we earn revenue from distributing the finished series globally. This increase in drama deliveries, which are lower margin, may impact the EBITA margin in 2015. Longer term, our strategy is to have an ongoing portfolio with six to ten international scripted series in production per annum.

Performance and Financials

Financial and Performance Review continued

Acquisitions

In 2012, 2013 and 2014 we acquired a number of content businesses with a focus on factual and scripted reality producers in the US and UK, the two key markets with a track record for creating and owning IP. These have been made against strict strategic and financial criteria. Financially, we look at ownership of IP, return on capital employed and discounted cash flow. Strategically, we look at the talent, creative pipeline and type of content to ensure it has the potential to return and travel.

In 2012 we acquired Gurney Productions in the US, So TV in the UK, Mediacircus in Norway and Tarinatalo in Finland. In 2013 we acquired The Garden and Big Talk Productions in the UK along with 60% of High Noon Entertainment and 65% of Thinkfactory Media in the US. There are put and call arrangements in place to buy the remaining minority stakes.

In February 2014 we acquired 100% of United, a Danish producer of entertainment and reality programmes, and a 51% controlling interest in DiGa, a US independent producer of reality and scripted programming. There is a put and call option to buy the remainder of DiGa over three to six years, with the total amount payable linked to the performance of the company over that period.

In May 2014 we made the acquisition of Leftfield, a high margin US production company. We made an initial cash payment of $360 million for 80% and have put and call options in place to buy the remaining 20% over three to five years.

The total cash consideration for all acquisitions since 2012 was £328 million. We structure our deals with earnouts or put and call options in place for the remainder of the equity, capping the maximum consideration payable. By basing a significant part of the consideration on future performance in this way, not only can we lock in creative talent and ensure our incentives are aligned, but we also reduce our risk by only paying for the actual, not expected, performance delivered over time.

At 31 December 2014, based on our current view of performance, we expect to pay a further £79 million, giving a total expected amount payable across the portfolio of £407 million. The total maximum consideration for our portfolio of acquisitions is £847 million, reflecting the initial consideration of £328 million and an undiscounted contingent consideration of £519 million, payable only if exceptional compound earnings growth is delivered over the payment period.

Company	Geography	Genre	Initial consideration (£m)	Total expected consideration* (£m)	Total maximum consideration* (£m)	Expected payment period
2014						
United	Denmark	Factual & entertainment	1	4	5	2018
DiGa	US	Reality & scripted	5	10	33	2020
Leftfield	US	Reality	214	233	504	2019
Total for 2014			220	247	542	
Total for 2013			66	93	204	2017–2021
Total for 2012			42	67	101	2016–2018
Total			328	407	847	

* Undiscounted and including the initial cash consideration. All payments are performance related.

Net financing costs

Twelve months to 31 December	**2014 £m**	2013 £m
Financing costs directly attributable to loans and bonds	**(8)**	(18)
Cash-related net financing income/ (costs)	**2**	(2)
Cash-related financing costs	**(6)**	(20)
Amortisation of bonds	**(1)**	(5)
Adjusted financing costs	**(7)**	(25)
Mark-to-market on swaps and foreign exchange	**(9)**	(9)
Imputed pension interest	**(17)**	(20)
Losses on buybacks	**(30)**	(61)
Other net financial income	**12**	–
Net financing costs	**(51)**	(115)

Adjusted financing costs reduced by £18 million in the year to £7 million (2013: £25 million), benefitting from the redemption of the 2016 convertible bond outstanding in 2013 and the repurchase of the remaining tranche of the 2019 bilateral loan in January 2014.

Net financing costs were £64 million lower at £51 million (2013: £115 million) in 2014. The £30 million of losses on buybacks relate to the exceptional loss on the 2019 debt we repurchased in January 2014, saving £44 million of future adjusted financing costs. We also recorded net financial income of £12 million (2013: £nil) in the year, principally reflecting a reduction in the expected amount payable on our acquisition portfolio.

Profit before tax

Twelve months to 31 December	**2014 £m**	2013 £m
Profit before tax	**605**	435
Exceptional items (net)	**7**	2
Amortisation and impairment of intangible assets*	**56**	54
Adjustments to net financing costs	**44**	90
Adjusted profit before tax	**712**	581

* In respect of intangible assets arising from business combinations.

Adjusted profit before tax, after financing costs, was up 23% at £712 million (2013: £581 million). The total tax charge for 2014 was £132 million (2013: £105 million), corresponding to an effective tax rate on adjusted profit before tax of 21.2% (2013: 23.4%), which is broadly in line with the standard corporation tax rate of 21.5% (2013: 23.3%).

Tax

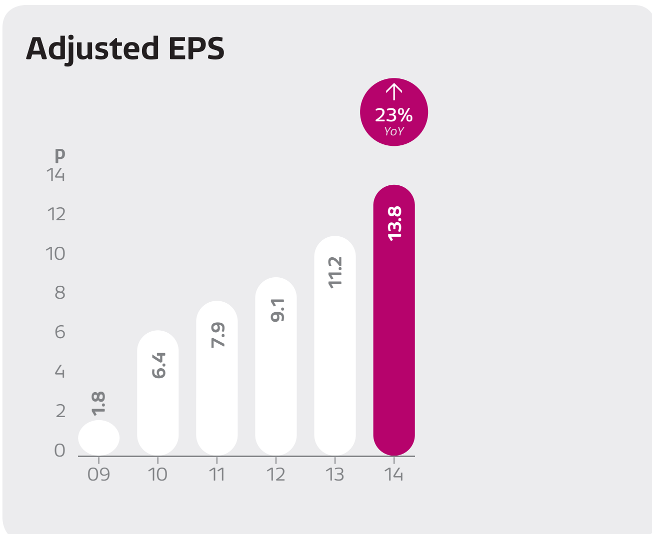
Twelve months to 31 December	**2014 £m**	2013 £m
Tax charge	**(132)**	(105)
Charge for exceptional items	**(2)**	(1)
Charge in respect of amortisation of intangible assets*	**(12)**	(12)
Charge in respect of adjustments to net financing costs	**(10)**	(21)
Other tax adjustments	**5**	3
Adjusted tax charge	**(151)**	(136)
Effective tax rate on adjusted profits	**21%**	23%

* In respect of intangible assets arising from business combinations.

Cash tax paid in the year was £85 million (2013: £67 million). This is lower than the total tax charge for 2014 due to timing differences arising from quarterly tax payments, the use of losses offsetting profit and the tax treatment of allowable pension contributions. The majority of cash tax is paid in the UK.

EPS

Overall, adjusted profit after tax was up 26% at £561 million (2013: £445 million). After non-controlling interests of £7 million (2013: £4 million), adjusted earnings per share was 13.8p (2013: 11.2p), up 23%. The weighted average number of shares increased 2% to 4,002 million (2013: 3,929 million) largely due to the issue of shares following the convertible bond redemption in 2013. Diluted adjusted EPS in 2014 was 13.7p (2013: 10.8p) reflecting a weighted average diluted number of shares of 4,040 million (2013: 4,111 million). Basic EPS increased 40% to 11.6p (2013: 8.3p).



Performance and Financials

Financial and Performance Review continued

Basic EPS is adjusted to reflect the underlying performance of the business providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Adjustments include: acquisition-related costs such as professional fees, primarily due diligence, and performance-based employment-linked contingent payments; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including customer contracts and relationships; net financing cost adjustments; and other tax adjustments. Amortisation of intangible assets that are required to run our business, including software licences, is not adjusted for. The table below reconciles basic to adjusted EPS.

Twelve months to 31 December 2014	Reported £m	Adjustments £m	Adjusted £m
EBITA before exceptional items	730		730
Exceptional items (operating)	(12)	12	–
Amortisation and impairment of intangible assets	(67)	56	(11)
Net financing costs	(51)	44	(7)
Gain on sale of non-current assets and subsidiaries (non-operating exceptional items)	5	(5)	–
Profit before tax	605	107	712
Tax	(132)	(19)	(151)
Profit after tax	473	88	561
Non-controlling interests	(7)	–	(7)
Earnings	466		554
Shares (million), weighted average	4,002		4,002
EPS	11.6p		13.8p

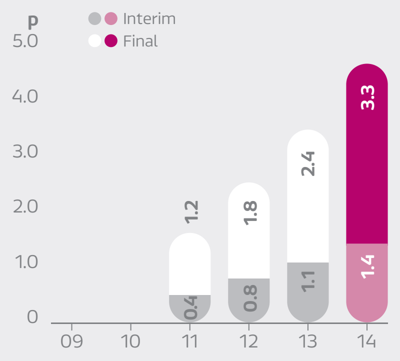
Dividend per share

Reflecting our confidence in the ongoing growth and cash generation of the business, the Board has committed to growing the full year ordinary dividend by at least 20% per annum for three years to 2016, by when we will achieve a dividend cover of between 2.0 and 2.5 times adjusted earnings per share. In line with this policy, the Board is proposing a final dividend for 2014 of 3.3p, which equates to a full year dividend of 4.7p (2013: 3.5p), up 34%.

ITV is now a more balanced business with strong underlying cash flows. As we enter the next phase of our strategy we continue to see investment opportunities to grow the business and enhance shareholder value but at the same time the Board recognises the importance of maintaining capital discipline and balance sheet efficiency. Therefore it is appropriate over time to increase our balance sheet leverage gradually while retaining the flexibility to continue to invest.

In line with this approach, the Board is proposing a £250 million return to shareholders by way of a special dividend of 6.25p.

Ordinary dividend per share



Cash generation

Profit to cash conversion

Twelve months to 31 December	2014 £m	2013 £m
EBITA before exceptional items	**730**	620
(Increase) in programme rights and other inventory distribution rights	**(39)**	(42)
Decrease/(increase) in receivables	**18**	(15)
(Decrease)/increase in payables	**(48)**	42
Working capital movement	**(69)**	(15)
Depreciation	**27**	24
Share-based compensation and pension service costs	**14**	20
Cash flow generated from operations before exceptional items	**702**	649
Acquisition of property, plant and equipment and intangible assets	**(37)**	(45)
Adjusted cash flow	**665**	604
Profit to cash ratio	**91%**	97%

ITV maintained its strong cash generation and tight management of working capital balances in the year, generating £665 million (2013: £604 million) of operational cash from £730 million (2013: £620 million) of EBITA before exceptional items. This equates to a strong profit to cash ratio of 91%. The ratio has declined from 97% in 2013 as a result of increased investment in scripted content.

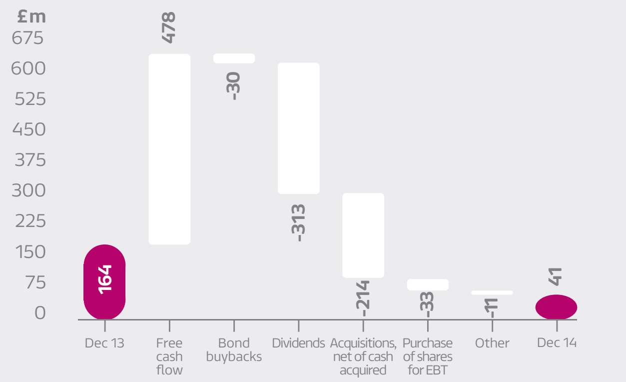
Free cash flow

Twelve months to 31 December	2014 £m	2013 £m
Adjusted cash flow	**665**	604
Net interest paid	**(11)**	(24)
Cash tax	**(85)**	(67)
Pension funding	**(91)**	(80)
Free cash flow	**478**	433

Note: Except where disclosed, management views the acquisition of operating property, plant and equipment and intangibles as necessary ongoing investment in the business.

Our underlying cash generation after payments for interest paid, cash tax and pension funding, also remained strong in the year. Free cash flow was up 10% at £478 million (2013: £433 million).

Net cash tracker



Overall, after dividends, acquisitions and debt repayments we ended the year with net cash of £41 million, compared to net debt of £201 million at 30 June 2014 and £164 million net cash at 31 December 2013. Our cash generation was weighted towards the second half of 2014 due to the timing of our pension funding contribution, debt buybacks and the significant acquisition of Leftfield, all of which took place in the first half.

Financial and Performance Review continued

Funding and liquidity

Debt structure and liquidity

In 2014 we again bought back debt to improve our balance sheet efficiency further, repurchasing the remaining tranche of the 2019 bilateral loan.

We also entered into a number of new financing facilities. We obtained a committed £525 million Revolving Credit Facility provided by a number of core relationship banks, and also entered into a new £175 million bilateral financing facility and agreed a new £75m invoice discounting facility, both of which are free of financial covenants. All three facilities were undrawn as at the year end.

As we enter the next phase of our strategy this financial flexibility and our continued strong free cash flow will enable us to invest in opportunities to grow the business and enhance shareholder value.

Leverage

Twelve months to 31 December	2014 £m	2013 £m
Net cash	**41**	164
Expected contingent payments on acquisitions	**(79)**	(97)
Pension deficit (IAS 19R)	**(346)**	(445)
Operating leases	**(381)**	(414)
Adjusted net debt	**(765)**	(792)
Adjusted net debt to EBITDA	**1.0×**	1.2×

Going forward our objective is to run an efficient balance sheet, and to balance investment for further growth with attractive returns to shareholders. Therefore we will, over time, look to increase our balance sheet leverage. We believe that maintaining leverage below 1.5× net debt to EBITDA (before exceptionals) will optimise our cost of capital, allow us to sustain our progressive dividend policy and enable us to retain flexibility to continue to invest for further growth.

We also look at an adjusted measure of net debt, taking into consideration all of our financial commitments. At 31 December 2014, adjusted net debt was broadly in line with the prior year at £765 million (31 December 2013: £792 million) reflecting a reduction in the pension deficit under IAS 19 and lower undiscounted operating lease commitments which mainly relate to broadcast transmission contracts and property.

This adjusted measure, by taking into consideration all of our financial commitments, reflects how credit rating agencies could look at our balance sheet.

Financing

We are financed using debt instruments with a range of maturities. Following the buyback of the 2019 loan in January 2014, the remaining debt, other than the finance leases, is publicly traded Eurobond debt. Borrowings at 31 December 2014 were repayable as follows:

Amount repayable	£m	Maturity
£78 million Eurobond	78	Oct 2015
£161 million Eurobond	161	Jan 2017
Finance leases	17	Various
Total debt repayable on maturity	256	

Ratings

We are rated investment grade by two ratings agencies: BBB- by Standard and Poor's and Baa3 by Moody's Investor Services. The factors that are taken into account in assessing our credit rating include our degree of operational gearing, exposure to the economic cycle, as well as business and geographical diversity. Continuing to execute our strategy will strengthen our position against all these metrics.

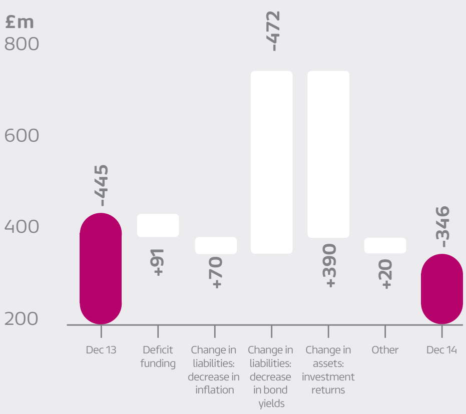
Pensions

IAS 19

The aggregate IAS 19 deficit of the defined benefit schemes at 31 December 2014 was £346 million (31 December 2013: £445 million) reflecting pension funding contributions in March and April of £91 million. An increase in the pension liabilities, as a result of a fall in the discount rate used to measure liabilities, was offset by asset outperformance, primarily gilts and swaps.

Pensions continue to be paid from the Scheme based on actual requirements.

IAS 19 Pension deficit tracker



Actuarial valuation

The last actuarial valuation was undertaken in 2011. On the bases adopted by the Trustee, the combined deficits as at 1 January 2011 amounted to £587 million.

The Trustee is in the process of undertaking full actuarial valuations of all three sections of the Scheme as at 1 January 2014. The Group's deficit funding contributions will be reviewed following the result of the valuation, expected in Q2 2015.

Deficit funding contributions

In 2014 the group made deficit funding contributions of £91 million (2013: £80 million). We do not expect our 2015 deficit funding contributions to exceed those made in 2014.

Ian Griffiths
Group Finance Director

Pictured:
Left: The Chase averaged over 3 million viewers in 2014. Its most watched episode attracted 4.4 million viewers and a 23% share.

Right: The Only Way Is Essex moved to its new home in 2014 on new free-to-air channel ITVBe.

Performance and Financials

Risks and Uncertainties

ITV has a formal risk management process which is embedded within the business to support the identification and effective management of risks across the business. It is regularly reviewed and adapted as the Company, industry and macro environment evolves.

Our approach, which is consistent with previous years, covers risks at all levels of the organisation and considers risks in three core groups:

- **High Impact, Low Likelihood (HILL) risks** – of low inherent likelihood but where there would be major consequences were the risk to materialise;
- **Strategic risks** – would impact the successful execution of the strategy; and
- **Process level risks** – embedded into everyday activity within the organisation.

Risk management framework and risk appetite

The Board is responsible for establishing a robust and appropriate risk management framework and risk management process for ITV. The Board, supported by the Audit Committee, regularly reviews the risk management framework, its content and its operations. This includes reviewing the risks themselves and the mitigating actions.

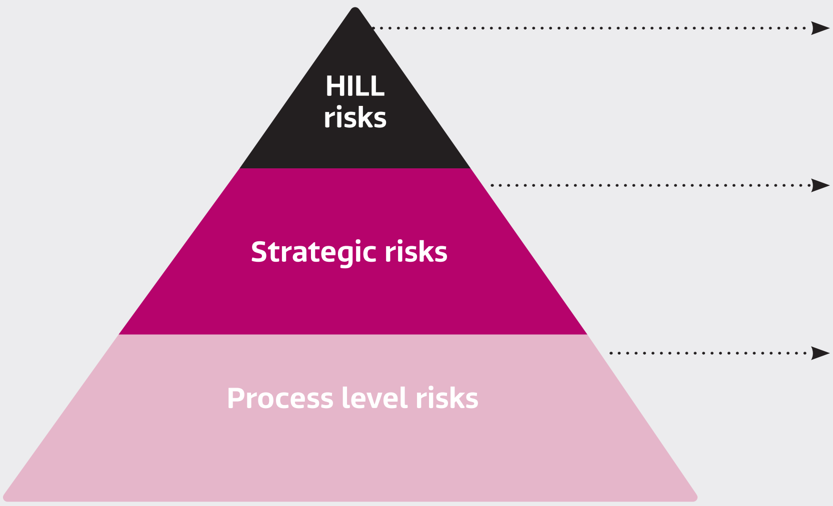
The Board also reviews risk appetite to ensure ITV is carrying an acceptable level of risk. During the year it conducted an exercise to assess the current risk appetite of the business and the actual risk the business takes with respect to the following categories: financial, market, operational, compliance and regulation, creative investment and organisational. This is considered to be the first step towards using risk appetite as a decision making tool and further work will be undertaken in 2015 to enhance this process. The Board also continues to monitor closely ITV's specific financial risks, including foreign exchange, borrowing levels, interest rates and pension risks.

The Audit Committee keeps the overall effectiveness of the risk management framework and the risk management process under review.

Risk management process

The Management Board has responsibility for the content and operation of the risk management framework and performs regular reviews of all risks. In 2014 all the HILL and Strategic risks were reassessed and further refined to improve our risk management. As well as management review, Process level risks are also subject to an ongoing review by internal audit.

Risk Management Framework



High Impact, Low Likelihood (HILL)
Of low inherent likelihood but where there would be major consequences were they to materialise

Strategic risks
Would impact the successful execution of the strategy

Process level risks
Embedded into everyday activity within the organisation

Mitigating actions have been identified for all the HILL and Strategic risks. Each Strategic risk has been mapped to at least one of the three key strategic priorities and, where possible, assigned key risk indicators. Where appropriate, the key risk indicators are aligned to our key performance indicators (KPIs) on page 34 or a subset of these KPIs. All HILL and Strategic risks are owned by at least one member of the Management Board.

Risk monitoring process

ITV's risk monitoring process is embedded in the running and review of the business. Risks are primarily controlled through the risk management process. In addition to the risk specific mitigating actions outlined below, risks are regularly discussed and considered through day-to-day operations and through a number of divisional Board and review processes.

Internal audit plan

The internal audit plan is driven from ITV's risk management framework. As outlined above, management has completed a number of activities with respect to HILL risks, Strategic risks and Process level risks. Internal audit reviews the auditable elements of these risks and this informs the areas and topics that internal audit focuses on.

Pictured:
ITV2 comedy Plebs returned for a second series in the autumn. It averaged 0.9 million viewers, up on the previous year's series.

Performance and Financials

Risks and Uncertainties continued

High Impact, Low Likelihood Risks (HILL)

Potential Risk	Mitigating Factors
Financial **ITV loses its credit status or lines of funding with existing lenders or there is a collapse of a major bank impacting financial arrangements/ availability of credit.**	• The business is cash generative and working capital management remains a key focus. • ITV has £250 million of undrawn, financial covenant free facilities in addition to a £525 million Revolving Credit Facility with a number of core relationship banks. • The low gross debt levels that ITV now has should enable the Company to obtain debt from the marketplace if needed. • We are rated investment grade by two ratings agencies.
There is a major collapse in investment values leading to a material impact on the pension scheme deficit.	• There is regular communication between ITV and the pension trustees. • The pension scheme's assets are invested in a diversified portfolio, with a significant amount of the fund held in bonds. • ITV has worked with the pension trustees to limit the potential deficit by a series of asset backed arrangements and taken risk out of the scheme with a longevity swap.
Operational **A significant event removes a number of the key management team from the business on a long-term or permanent basis.**	• There is a business resilience plan in place which includes succession plans or nominated replacements for all key positions within the Company.
Reputation **An event with public interest that causes significant reputational and brand damage.**	• ITV has a crisis management policy in place and is increasing emphasis on its development and application.
There is a major health and safety incident that results in a significant loss of human life.	• ITV has a central Health & Safety team and Health & Safety policies and procedures are in place, with appropriate training for employees where required. As we expand internationally these will be continually reviewed. • Regular inspections are undertaken at all sites, which are run alongside a programme of Health & Safety audits. This is subject to ongoing review.
A major incident results in ITV being unable to continue with scheduled broadcasting for a sustained period.	• A risk register of broadcast operations, including key outsourced functions, is in place and reviewed on a regular basis. • Major incident scenario testing performed in 2014. • An incident management process has been agreed and disaster recovery plans are in place.
There is a significant or unexpected change in regulation or legislation.	• ITV regularly communicates with legislative groups, legal panels and Ofcom to monitor potential policy and regulatory developments.

Strategic Risks

Strategic Risk	Mitigating Factors	Strategic Priorities
The Market		
There is a major decline in advertising revenues and ITV does not build sufficient non-NAR revenue streams to offset the financial impact of this decline.	• Growing non-advertising revenue in areas such as ITV Studios and Online, Pay & Interactive, remains a key part of the strategy. • ITV continues to focus on cash and costs, ensuring the Company has an adequate financial liquidity and balance sheet flexibility.	1 2 3
The television market moves significantly towards pay television as a preferred model, negatively impacting ITV's free-to-air revenue.	• ITV continues to support free platforms, including YouView, to keep free-to-air strong. • ITV looks at and evaluates the opportunities for expanding its existing pay services and other pay offerings. • ITV explores other platforms to understand viewing habits and what people are prepared to pay for.	1 3
A faster than expected shift to Video on Demand (VOD) or other new technologies causes a sustained loss of advertising revenue.	• The business continues to develop ITV Player VOD services, maximise the distribution of ITV Player and grow its VOD advertising business. • ITV monitors the market for new technology and where appropriate explores how ITV can participate.	1 2 3
People		
ITV fails to evolve its organisational structure and culture to ensure that it is capable of delivering continued growth from the new businesses or revenue streams and fails to attract, develop and retain key creative, commercial and management talent with the skills required for the ongoing business.	• ITV constantly reassesses the business to create a fit-for-purpose organisation. • Strategic focus on working across the business to embed and strengthen the culture of 'One ITV' way of working. • ITV invests in training and development for all key colleagues in the business. • Succession plans are in place for all key positions within the Company.	1 2 3

Risks and Uncertainties continued

Strategic Risks

Strategic Risk	Mitigating Factors	Strategic Priorities
Organisation, Structure and Processes		
There is significant loss of programme rights or ITV fails to identify and obtain the optimal rights packages.	• ITV is focused on both protecting and exploiting existing rights and ensuring that future rights generated accrue to ITV. • ITV has a detailed model to evaluate the value of third party rights to ensure it only buys rights that make economic sense.	1 2 3
ITV fails to create and own a sufficient number of hit programmes/formats.	• ITV maximises opportunities for ITV Studios to create successful shows by investing in the creative pipeline and focusing on programmes and genres that can return and travel internationally, i.e. drama, entertainment and factual entertainment, as evidenced by our increased investment in scripted content. • ITV is focused on hiring and retaining the right key creative talent.	1 2 3
ITV fails to properly resource, financially, creatively and operationally, the new growth businesses, in particular online and international content.	• Talent management plans have been developed and reviewed to ensure adequate succession planning across ITV. • ITV continues to embed and strengthen the culture of 'One ITV' way of working. • Lessons from recent investments are captured through post acquisition reviews.	1 2 3
ITV loses a significant volume of personal or sensitive data.	• A Management Board sponsored Operational Risk Steering Group is in place to ensure the appropriate management of information security. • Mandatory online training modules, awareness campaigns and simplified information security policies for employees. • Monitoring of information sharing outside of ITV.	1 2 3
ITV remains heavily reliant on legacy systems, which could potentially restrict the ability to grow the business. These systems and processes may not be appropriate for non-advertising revenue or international growth.	• System requirements are kept under review with business growth and system modernisation projects implemented as appropriate. • A modernisation plan is in place for the legacy systems which remains under constant review and development to ensure technology systems meet the needs of the business.	2 3

Strategic Risks

Strategic Risk	Mitigating Factors	Strategic Priorities
Technology **A significant high profile incident or series of events such as transmission incidents or a major regulatory breach causes significant reputational damage.**	• ITV has ongoing modernisation projects to ensure transmission and distribution technologies are fit-for-purpose. • There are disaster recovery and incident management plans in place in high risk areas of the business to help deliver a rapid and flexible response. • ITV proactively manages its broadcast chain partners and suppliers to ensure the risk of incidents and regulatory breach is minimised.	1 2 3
ITV fails to ensure appropriate business continuity planning and resilience within its core systems, processes, platforms and technology infrastructure.	• Disaster recovery plans are in place with tests conducted annually on business critical systems.	1 2 3
There is a sustained cyber/viral attack causing prolonged system denial or major reputational damage, for example the ability to broadcast our channels or the availability of ITV Player.	• We continue to improve our ability to monitor, detect and respond to cyber threats internally and through partnerships with specialist security organisations. • Mandatory online training modules, awareness campaigns and simplified information security policies have been implemented for employees. • There are disaster recovery and incident management plans in place for high risk areas of the business to help deliver a rapid and flexible response. • A Management Board sponsored Operational Risk Steering Group is in place to ensure the appropriate management of information security.	1 2 3

The Strategic Report was approved by the Board and signed on its behalf by:

Adam Crozier
Chief Executive

Pictured:
Grantchester, a six part drama, launched with 7.7 million viewers and went on to average 6.6 million and 24%.

Governance

Governance

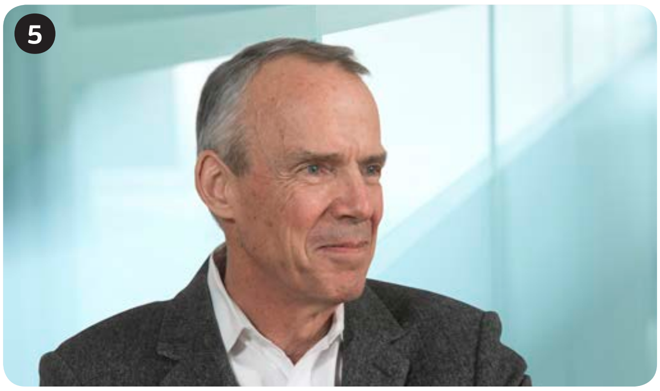
Board of Directors

1

2

3

4

5

6

7

8


1 Archie Norman
Chairman

Appointed: January 2010

Committees: Nomination (Chairman), Remuneration

Key areas of prior experience: Business turnaround, consumer marketing, international business corporate finance and regulatory affairs.

Current external appointments: Chairman – Lazard, London and Hobbycraft PLC; Director – Coles Group and Target Limited; Adviser – Wesfarmers Limited; Governor – National Institute of Economic and Social Research.

Previous experience: Founder – Aurigo Management Partners LLP; Chairman – HSS Hire Services Group and Energis PLC; Chief Executive and Chairman – ASDA Group plc; Finance Director – Kingfisher plc; Member of Parliament. Partner - McKinsey & Co.; Deputy Chairman and Chief Executive - Conservative Party; Shadow Secretary of State - Department of Environment, Transport and the Regions; Non-executive Director - British Rail, Railtrack plc and Geest plc.

2 Adam Crozier
Chief Executive

Appointed: April 2010

Committees: General Purpose

Key areas of prior experience: Business turnaround and change management.

Current external appointments: Non-executive Director – G4S plc.

Previous experience: Non-executive Director – Debenhams plc and Camelot Group plc; Group Chief Executive – Royal Mail Group; Chief Executive – Football Association; Joint Chief Executive – Saatchi & Saatchi.

3 Ian Griffiths
Group Finance Director

Appointed: September 2008

Committees: General Purpose

Key areas of prior experience: Corporate finance and financial restructuring.

Current external appointments: Non-executive Director – DS Smith Plc.

Previous experience: Group Finance Director – Emap plc. Senior finance roles held within Emap plc including Director of financial control and head of finance at Emap Business Communications; Manager - Audit and corporate finance, Ernst & Young.

4 Sir Peter Bazalgette
Non-executive Director

Appointed: June 2013

Committees: Nomination, Remuneration

Key areas of prior experience: Media consultant, digital media investor and former television producer.

Current external appointments: Chairman – Arts Council of England; Non-executive Director – Nutopia and Mirriad Ltd; President – Royal Television Society; Senior Non-executive Director and Chairman – Remuneration Committee of YouGov plc; Member – Audit Committee, YouGov plc.

Previous experience: Non-executive Director – DCMS, Base 79 Ltd, Critical Information Group plc and Channel Four Television Corp; Trustee – DebateMate; Chairman – ENO and Endemol UK; Deputy Chairman and Director – National Film and Television School; Adviser – Sony Music's television division; Chairman – UK production business at Sony Pictures Television Inc.

5 Roger Faxon
Non-executive Director

Appointed: October 2012

Committees: Nomination

Key areas of prior experience: Broad commercial, digital and media rights experience, development of business strategy and finance.

Current external appointments: Director - The John Hopkins University, The Songwriters Hall of Fame and Mirriad Limited.

Previous experience: Director – EMI Group Global Limited and EMI Group plc; Chief Executive Officer – EMI Group Limited; Chairman and CEO – EMI Music Publishing, Music Choice (Digital Cable Radio), the American Society of Composers and Authors and Lancit Media Entertainment Ltd in the US; Chairman – VIVA Television in Germany; Director – Channel V Networks in Asia.

6 Andy Haste
Senior Independent Director

Appointed: August 2008

Committees: Audit, Remuneration (Chairman), Nomination

Key areas of prior experience: International and emerging markets, change management, restructuring and business turnaround.

Current external appointments: Chairman – Wonga Group Limited; Senior Independent Deputy Chairman – Council of Lloyds.

Previous experience: Group Chief Executive - RSA Insurance Group plc; Chief Executive - AXA Sun plc; Director – AXA UK plc (life and pensions); President and Chief Executive Officer – GE Capital Global Consumer Finance UK, Western Europe and Eastern Europe; President – National Westminster Bank US Consumer Credit Business; Senior Vice President and Head – US Consumer Loan Products Division at National Westminster Bank.

7 Mary Harris
Non-executive Director

Appointed: July 2014

Committees: Nomination

Key areas of prior experience: Business management consulting, sales and marketing, mergers and acquisitions, media, television and interactive media investments and digital rights management.

Current external appointments: Non-executive Director – Reckitt Benckiser Group plc and J.Sainsbury plc; Member of supervisory board – Scotch and Soda NV, TNT Express NV and Unibail Rodamco SE; Member of Remuneration Committee – St.Hilda's College, Oxford University.

Previous experience: Member of supervisory board – TNT NV; Member of advisory board – Irdeto BV. Partner of McKinsey & Company, Amsterdam; Various positions worldwide - McKinsey & Company, Maxwell Entertainment Group, Pepsi Cola Beverages and Goldman Sachs & Co.

8 John Ormerod
Non-executive Director

Appointed: January 2008

Committees: Audit (Chairman), Nomination, Remuneration

Key areas of prior experience: Financial experience, developing strategy and growth.

Current external appointments: Non-executive Director – First Names Group Limited and Constellium NV; Chairman – Tribal Group plc; Non-executive Director and Chairman – Audit Committee, Gemalto NV and Computacenter plc.

Previous experience: Senior Independent Director and Chairman – Audit Committee, Misys plc; Trustee – Design Museum and The Roundhouse Trust; Non-executive Director and Chairman – Merlin Claims Services Holdings Limited; Non-executive Director – Negative Equity Protection Holdings Limited, Millen Group Limited and BMS Associated Limited; Member of Audit and Retail Risk Control Committees, HBOS plc; Chairman – Audit Committee, Transport for London. Practice Senior Partner - Deloitte; Regional Managing Partner - Arthur Andersen.

Full biographies can be found on our website:
www.itvplc.com/about/management/board-of-directors

Governance

Management Board

1 Mary Fagan
Group Communications and Corporate Affairs Director

Appointment to the Board:
January 2011

Previous experience:
Mary joined ITV from the Royal Mail Group, where she was Corporate and Government Affairs Director from December 2003. A senior City and Business journalist with more than 20 years' experience, Mary's previous roles included Deputy City Editor of the Sunday Telegraph, Industrial Correspondent for the Independent and City Reporter at the Evening Standard.

2 Peter Fincham
Director of Television, Channels and Online

Appointment to the Board:
May 2008

Previous experience:
Peter joined ITV in 2008 having previously been the controller of BBC One. He began his career in broadcasting at independent production company Talkback Productions, where he became Managing Director in 1986. In 2000 Talkback Productions was sold to Fremantle Media and in 2003 Peter became Chief Executive of the newly merged company TalkbackThames.

3 Andrew Garard
Group Legal Director and Company Secretary

Appointment to the Board:
November 2007

Previous experience:
Andrew joined ITV as Group Legal Director in 2007 and took on the additional role of Company Secretary in 2009. He is also Chairman of ITN, and responsible for rights management, the ITV archive and Corporate Responsibility. Previously Andrew was a Partner in the corporate department of LeBoeuf Lamb's London office. Prior to this, Andrew was Group General Counsel and Company Secretary at Cable & Wireless plc where he was a member of the Group Executive responsible for Global Legal. Prior to that he was Global Head of Legal and Deputy General Counsel of Reuters Group plc in the UK, and before that, General Counsel Asia.

4 Kevin Lygo
Managing Director, ITV Studios

Appointment to the Board:
August 2010

Previous experience:
Before joining ITV Kevin spent much of his career at Channel 4, most recently as Director of Television and Content which included responsibility for Channel 4 Group's portfolio of channels. Kevin's previous roles include Director of Programmes at Channel 5 as well as a number of positions at the BBC, including Head of Independent Commissioning for Entertainment.

5 David Osborn
Group Human Resources Director

Appointment to the Board:
October 2014

Previous experience:
David joined ITV as the Human Resources Director for ITV Studios in May 2011, and was appointed to the Management Board in October 2014 as Group Human Resources Director, responsible for delivering the Group's People Strategy. David has gained previous experience in both the UK and internationally whilst working in a variety of businesses including EMI Music, Vodafone, Visa Europe and Marks & Spencer.

6 Simon Pitts
Managing Director, Online, Pay TV, Interactive & Technology

Appointment to the Board:
January 2011

Previous experience:
Simon joined ITV in 2000 and has held a range of roles across corporate strategy, general management, digital media, policy and regulation, and public affairs. He took on his most recent role in December 2014 with a remit to grow ITV's Online, Pay TV and Interactive businesses alongside continued leadership of the Technology Group. He also has responsibility for SDN, sits on the boards of ITN and YouView and is a Trustee of the Royal Television Society. Before ITV Simon worked in the European Parliament in Brussels where he specialised in media issues.

7 Kelly Williams
Managing Director, Commercial

Appointment to the Board:
December 2014

Previous experience:
Kelly joined ITV in August 2011 as Group Commercial Director and was promoted to the Management Board as Managing Director of Commercial in December 2014. He is also Chairman of the Thinkbox Board, sits on the BARB Strategy Board and is Vice Chairman of the Advertising Association. Before joining ITV, Kelly was the Sales Director at Channel 5 and prior to that held various positions at UKTV, Sky and Thames Television.

Governance

Directors' Report and Responsibilities

The Directors present their report together with the audited consolidated and parent company financial statements for the year ended 31 December 2014. The comparative period is for the year ended 31 December 2013.

Directors

A table showing Directors who served in the year can be found on page 70. Biographies for Directors currently in office can be found on page 59. Further information on the appointment process can be found in the Governance section on page 69.

In accordance with the UK Corporate Governance Code (the Code), each Director will retire and submit himself or herself for election or re-election at the AGM on 14 May 2015.

On 28 July 2014 Mary Harris was appointed as a Non-executive Director, and will seek election as a Director of the Company at the AGM. Peter Bazalgette joined the Remuneration Committee on 1 June 2014.

On 17 July 2014 Lucy Neville-Rolfe stepped down from the Board.

Detail on compensation for loss of office can be found in our Annual Remuneration Report on page 94.

No Director had any interest in any contract with the Company or its subsidiary undertakings.

Post balance sheet events

There are no post balance sheet events to report.

Dividends

The Board has proposed a final dividend for the year ended 31 December 2014. Details of this and other dividends paid for the year are as follows:

	2014	2013
Interim dividend	**1.4p**	1.0p
Final dividend	**3.3p**	2.4p
Total Ordinary	**4.7p**	3.5p
Special dividend	**6.25p**	4.0p
Total Payments	**10.95p**	7.5p

The final dividend and special dividend for 2014 will be paid on 29 May 2015 to shareholders on the register on 1 May 2015. The ex dividend date is 30 April 2015.

Share capital

Issued: At the date of this report there were 4,025,409,194 ordinary shares of 10 pence each in issue, all of which are fully paid up and quoted on the London Stock Exchange.

Rights: The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association. Unless expressly specified to the contrary, the Articles may only be amended by special resolution of the shareholders. A copy of the Articles can be obtained from the Company's website or by writing to the Company Secretary.

www.itvplc.com/about/governance

Restrictions: There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time. In accordance with the Disclosure and Transparency Rules (DTRs), certain employees are required to seek approval to deal in ITV shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights.

Purchase of own shares: The Directors have the authority to purchase up to 402.5 million of the Company's ordinary shares. The authority remains valid until the AGM in 2015 or 15 August 2015, if earlier.

Trusts: The Company has a discretionary employees' benefit trust (EBT) funded by loans to acquire shares for the potential benefit of employees. Details of shares held by the EBT at 31 December 2014 are set out on page 158. During the year shares have been released from the EBT in respect of share schemes for employees.

The trustee of the EBT has the power to exercise all voting rights in relation to any investment (including ordinary shares) held within the EBT.

Listing Rule 9.8.4 disclosures

There are no disclosures to be made other than that the trustee of the EBT waived their rights to receive dividends on shares held by them which do not relate to restricted shares held under the ITV Deferred Share Award Plan.

Substantial shareholdings

Information regarding interests in voting rights provided to the Company pursuant to the DTRs is published on a Regulatory Information Service and on the Company's website.

www.itvplc.com/investors/announcements

As at 4 March 2015, the information in the table below had been received, in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital. It should be noted that these holdings are likely to have changed since notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

	At 31 December 2014		
	Shares	**%**	**Nature of holding**
Liberty Global Incorporated Limited	**259,820,065**	6.46	Direct
Blackrock Inc.	**195,504,921**	5.00	Indirect

Notification from Blackrock Inc. was not made in the year.

The number of shares is based on announcements made by each relevant shareholder using the Company's issued share capital at that date.

Disclosures were also received from Brandes Investment Partners LP, Madjedie Asset Management Limited and Sky Holdings Limited during the year notifying the Company that they no longer held a notifiable interest.

Change of control

No person holds securities in the Company carrying special rights with regard to control of the Company.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and proration for time where appropriate.

Certain of the Group's bonds/borrowing facilities have change of control clauses whereby the issuer can require ITV to repay/redeem bonds in the event of a change of control. The Company is not aware of any other significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company.

Financial instruments

Note 4.5 to the accounts gives details of the Group's financial risk management policies and related exposures.

Political donations

It is the Company's policy not to make cash contributions to any political party. However, within the normal activities of the Company's national and regional news-gathering operations there may be occasions when an activity might fall within the broader definition of 'political expenditure' contained within the Companies Act 2006. Shareholder authority for such expenditure was given at the 2014 AGM. However, during 2014 the Group made no payments falling within this definition (2013: nil).

Employees

Disability

The Company gives full and fair consideration to the employment of people with disabilities in accordance with the Equality Act 2010.

This is reflected in an award from the Department for Work and Pensions of a Two Ticks Disability Symbol.

In the event of an employee becoming disabled, it is the Company's policy, wherever possible, to support the individual to continue their employment or be considered for other open positions within the business.

The Company's employment and recruitment policy is based on non-discrimination and equal opportunities. We are committed to ensuring that all training, career development and promotional opportunities are accessible and inclusive to all and individuals with a disability are afforded the same career opportunities for growth and progression.

A comprehensive Reasonable Adjustment policy, disability focused training and accessible resource material enable the Company to build confidence around the disability agenda to attract, develop and retain those with a disability. We are able to draw on our own in-house service 'Signpost', for additional support and guidance around access and inclusion for particular communities.

The Company's commitment around the disability agenda extends beyond our legal obligations. In addition to our corporate activities, diversity and inclusion is now factored into the procurement of programme suppliers. For a comprehensive outline of our activity visit our Corporate Responsibility website.

www.itvplc.com/responsibility

Engagement

Attracting and retaining talent is critical to our success. It is therefore in our interest to ensure that we provide the appropriate rewards and opportunities for development so that employees feel engaged with the Company.

In 2014 the Company carried out an engagement campaign consisting of a series of roadshows during which the Management Board visited ITV locations. This gave employees an opportunity to feed back their thoughts and concerns about the business. Engagement was reinforced through forums such as the intranet, regular hard copy newsletters and briefings between management and its teams. These channels enabled employees to understand

Governance

Directors' Report and Responsibilities continued

the financial and economic factors affecting the Company's performance, how their role contributed towards the execution of the strategy and how they could benefit from Company success through involvement in employee share schemes and information on their rights and benefits.

We have continued to measure and listen to employees through employee surveys.

Employee engagement in 2014 was
90% (2013: 91%)
which is well ahead of the benchmark response of 83%

>92% **of respondents said they were proud to work for ITV**

Remuneration

When the Company reviews pay it takes a number of factors into consideration, including the need to stay competitive. Our focus on cash and costs remains incredibly important for the future health of our business. We need to balance our business and financial commitments with our continuing investment in our programming and people.

From 1 January 2014 employees received an average pay increase of 2.75%.

The Company continues to be committed to ensuring colleagues earn at least the Living Wage or greater. Where appropriate we have agreed additional increases. For all eligible colleagues on a full-time equivalent basic salary of £60,001 or above (unless covered by a collective agreement), pay increases are merit based, subject to performance and based on an overall pay pot (2.75% in 2014).

In addition a bonus arrangement extends to all our employees, providing a comprehensive and fully integrated incentive framework which rewards everybody when the Company is successful. The all employee bonus award for 2014 was £1,200.

The Company also operates a successful and popular all-employee Save As You Earn scheme that encourages voluntary investment in Company shares and a package of voluntary benefits, which provides valuable cost savings for both employees and the Company.

Information about remuneration for the Directors is included in the Annual Remuneration Report on page 82 to 95.

Pensions

The Company operates a pension scheme which provides retirement and death benefits for employees. The ITV Pension Scheme (the "Scheme") comprises three sections: A, B and C. Section A includes the defined contribution (DC) section of the Scheme. The DC section is open to new members. The defined benefit (DB) sections are closed to new members but are still open to future accrual.

ITV Pension Scheme Limited (a wholly owned subsidiary of ITV plc) is a corporate trustee and manages the DB and DC assets, which are held under trust separately from the Company. Members of the trustee board are formally appointed as directors of ITV Pension Scheme Limited. There are nine directors including the chairman — five appointed by the Company and four nominated by the members.

There is currently a vacancy for a Company appointed director.

The trustee has four committees: Investment, Audit and Operations, DC, and Corporate Affairs. The Corporate Affairs Committee is convened as and when appropriate for dealing with any corporate activities that may arise. It is the responsibility of the trustee to have in place appropriate training for its directors and effective committee structures. The trustee board and each committee have a business plan which is reviewed and updated on an annual basis, together with the associated budget. The trustee board also has a risk register, a conflicts of interest policy and a register of interests policy, all of which are reviewed at least annually.

The trustee directors receive regular training throughout the year and also have the support of various professional advisers. The chairman and the pensions executive identify training opportunities. Training is delivered both by attendance at external courses and with targeted training to support specific agenda items at the start of each trustee board meeting. Where appropriate, longer training sessions are organised. Comprehensive records are kept of all training completed by each trustee director and training is discussed as part of the trustee evaluations conducted on an annual basis.

The trustee board completes regular assessments of its advisers and has prepared a Service Charter that outlines the terms of the appointment and clarity on the services provided.

On 28 March 2014, the Company and the trustee established a Pension Funding Partnership backed by the London Television Centre resulting in the assets of Section A (as calculated on a funding basis) being increased by £50 million, met by annual dividend payments of around £2 million a year over a 24-year term and an initial payment of £2 million.

Full valuations are carried out every three years. The latest completed actuarial valuation of all three sections of the main DB scheme was carried out as at 1 January 2011. The trustee of the Scheme is undertaking actuarial valuations as at 1 January 2014 and the outcome is expected in Q2 2015.

To encourage greater pension savings, the Government has introduced auto-enrolment. This requires employers to enrol all eligible individuals into a pension scheme automatically. The requirement to comply with the auto-enrolment regulations is being phased in with larger employers required to comply first and medium and smaller employers following. The Company had to comply from 2013 and has to enrol all individuals who are contracted to work for us, regardless of their contract type or tax status (not just our employees).

Eligible individuals are enrolled into the ITV Auto-enrolment Pension Plan. The plan is provided by a company called NOW:Pensions under a master trust which is run by an independent board of trustee directors.

Pension Scheme indemnities: Qualifying pension scheme indemnity provisions, as defined in Section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2014 and remain in force for the benefit of each of the directors of ITV Pension Scheme Limited. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of ITV Pension Scheme Limited.

For further information about pensions please see page 49 and note 3.7 on page 140.

Health and safety

The health and safety of our employees, contractors and visitors is always a high priority. The significant loss of human life as the result of a major incident has been identified as a specific risk to the organisation. The Company's Health and Safety team continue to use a management system that meets the specific risk profile of the business which is communicated across the business and supported by a comprehensive training programme. Performance indicators for the UK are shown below.

	2014			2013		
	Staff	**Non Staff**	**Total**	Staff	Non Staff	Total
Lost time accidents reported under RIDDOR	**8**	**3**	**11**	2	5	7
Specified injuries reported under RIDDOR	**4**	**2**	**6**	1	6	7

In 2014 there was an increase in reported lost time accidents. This increase was mainly as a result of a manual handling issue where more than seven days off normal duties was reported (six reports). Manual handling is therefore being reviewed in 2015. It should also be noted that this increase could, in part, be due to a campaign undertaken to improve awareness of the need to report lost time incidents.

Greenhouse Gas emissions

The Company is required to report annually on the quantity of carbon dioxide emissions in tonnes emitted as a result of activities for which it is responsible.

All new regulatory data for the financial year ended 31 December 2014 is disclosed below for direct and indirect emissions. Data on other emissions where available and more information on our energy use, environmental impacts, and how we aim to make a positive difference can be found on our Corporate Responsibility website.

www.itvplc.com/responsibility

Indicator	**2014**	2013 (reported data)
Total gross CO_2e emissions	**40,200 (t CO_2e)**	43,485 (t CO_2e)
Scope 1: Direct emissions	**11,180 (t CO_2e)**	17,117 (t CO_2e)
Scope 2: Indirect emissions	**29,021 (t CO_2e)**	26,368 (t CO_2e)
Total Revenue	**£2,956m**	£2,753m
Emissions per unit/£m turnover	**13.6 (t CO_2e)**	15.8 (t CO_2e)

Source: Utilyx analysis of ITV data.

The latest conversion factors specified in Defra and DECC's 2014 guidance were used as methodology. 28% of our data consumption is based on estimate. This is where we are the occupier of a property but do not pay the energy bills directly. Estimates are calculated from observed ITV consumption intensity and published benchmarks where relevant.

Risk management

Details of our High Impact Low Likelihood (HILL) and Strategic risks and our approach to risk management are set out on pages 50 to 55.

Likely future developments

Details on strategy are set out in our Strategic Report.

Going concern

The going concern statement is set out on page 113.

Auditor

During the year the Audit Committee considered the performance and audit fees of the external auditor, and the level of non-audit work undertaken. They recommended to the Board that a resolution for the reappointment of KPMG LLP for a further year as the Company's auditor be proposed to shareholders at the AGM in May 2015.

Governance

Directors' Report and Responsibilities continued

Annual General Meeting

The AGM will be held on Thursday, 14 May 2015 at 11.00 a.m. at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1P 3EE. The Notice of the AGM contains an explanation of special business to be considered at the meeting.

A copy of the Notice is available on our website.

www.itvplc.com/investors/annual-general-meeting

Directors' responsibilities

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 59, confirm that, to the best of their knowledge:

- the Group accounts, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Companies Act 2006, the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Board has conducted a review of the effectiveness of the Group's systems of internal controls for the year ended 31 December 2014. In the opinion of the Board, the Company has complied with the internal control requirements of the UK Corporate Governance Code throughout the year, maintaining an ongoing process for identifying, evaluating, and minimising risk. Further information is set out in the Audit Committee Report on page 79.

By order of the Board

Andrew Garard
Company Secretary
4 March 2015

ITV plc
Registered number 4967001

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

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

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

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

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

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

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

Chairman's Governance Statement

Archie Norman
Chairman

"The Board was substantially rebuilt in 2010 and we have strengthened it further each year. As a result we have a Board of high calibre individuals with a wide range of skills and experience."

Dear Shareholder,

The Board believes that a high standard of corporate governance is a key contributor to the long term success of the Company.

The Board remains committed to ensuring that good leadership and the highest standards of corporate governance are maintained through a combination of a robust internal framework of systems and controls underpinned by the right values and culture. This framework of policies and processes is regularly reviewed against developments in the legislative, regulatory and governance landscape.

This governance report comprises the following sections:

- How the Board works
- Effectiveness
- Relations with shareholders
- Audit Committee Report
- Annual Remuneration Report
- Remuneration Policy

The Board's primary responsibility is to promote the long term success of the Company and to work with the executive team, providing support and advice. The Board consistently challenges processes, plans and actions and exercises a degree of rigorous enquiry and intellectual debate. This serves to promote continuous and sustained improvement across the business.

The Board was substantially rebuilt in 2010 and we have strengthened it further each year. As a result we have a Board of high calibre individuals with a wide range of skills and experience. We were pleased to welcome Mary Harris to the Board in July 2014.

The Board meets regularly for scheduled Board and Committee meetings and has a number of informal meetings to consider specific issues. The Board interacts frequently with senior executives and subject matter experts. This ensures that the Board has a full understanding of the business. In 2014, the Board continued its programme of visiting different areas of the business.

We remain committed to sharing our business vision with our shareholders by maintaining regular open dialogue and effective communication. We believe that continued engagement is highly beneficial to all parties as it helps to build a greater understanding of our investors' views, opinions and concerns.

During the year an important focus has been on evolving our strategy for the next stage of our development.

As a listed company, ITV is required to report on how it has complied with the principles of governance set out in the UK Corporate Governance Code (the Code). The Board considers that the Company has complied with the provisions of the Code, except in respect of provision C.3.1. Following the departure of Lucy Neville-Rolfe in July 2014, the Audit Committee has only had two members. The Board is mindful of this and is actively seeking an additional Non-executive Director with relevant skills and experience.

Archie Norman
Chairman
4 March 2015

Governance

Corporate Governance

How the Board works

Our role

The Board as a whole is collectively responsible for delivering the long term success of the Company by:

- providing entrepreneurial leadership within a framework of prudent and effective controls which enable risk to be assessed and managed;
- supporting the executive team to formulate and execute the Company's long term objectives and strategy, ensuring that the necessary financial and other resources are in place for the Company to meet its objectives, and reviewing management performance; and
- setting the Company's values and standards and ensuring that its obligations to its shareholders and others are understood and met.

There is a schedule of specific matters reserved to the Board for decision which is available on our website.

www.itvplc.com/about/governance

What we focused on in 2014

- Strategy evolution
- International content strategy
- Pension investment strategy
- Acquisition evaluation and management
- Risk appetite, profile and mitigation

Our plans for 2015

- Broadcast strategy focusing on SOV
- International content strategy
- Online, Pay & Interactive strategy
- Retransmission fees and the regulatory environment

Our governance structure

Board
Chairman, two Executive Directors and five Non-executive Directors

Management Board
Executive Directors and Senior Executives of Group functions and divisional businesses

Divisional Boards
Executive Directors and Senior Executives of divisional businesses

General Purpose Committee
Executive Directors

Disclosure Committee
Executive Directors and other Senior Managers

Tax and Treasury Committee
Group Finance Director and other Senior Managers

Remuneration Committee
Chairman and two Non-executive Directors

Audit Committee
Two Non-executive Directors

Nomination Committee
Chairman and Non-executive Directors

Details of Board membership during 2014 are set out on **page 70.**

Our meetings

The number of meetings held during the year and attendance of Directors is set out in the table on page 70. The Board agrees an annual schedule of matters it wishes to consider at each of its meetings and those of its committees. The schedule ensures that all relevant matters are considered and receive appropriate attention. Meetings are normally held at one of the London sites and at least once a year they are held at one of the regional or international offices. Board meetings are structured around the following areas:

- Operational and functional updates
- Financial updates
- Strategy and risk
- Progress against strategy
- Other reporting and items for approval
- Feedback from committees

Senior Executives and other colleagues are regularly invited to attend meetings for specific items. In addition to formal Board and Committee meetings, meetings take place between:

- Board members and Management Board members
- Chairman and Non-executive Directors
- Senior Independent Director and Non-executive Directors (without the Chairman present)

The diagram on page 68 shows our governance structure.

The Board has approved a formal framework for the approval of expenditure within the Company around this governance structure.

Who is on our Board and how we work as a team

Composition and appointments

In July 2014 the Board appointed Mary Harris as a Non-executive Director. Mary was selected from a number of potential candidates. The Board felt that Mary's experience in business strategy as well as media, television, and interactive media investments and digital rights management would be an asset to the Board. Executive search firm Russell Reynolds were engaged to assist with the rigorous selection process. Russell Reynolds have no other connection with ITV.

Lucy Neville-Rolfe stepped down from the Board on 17 July 2014.

Non-executive Directors are appointed for an initial
3 year term
and are reappointed annually thereafter

As recommended by the Code, there will be resolutions to elect or re-elect each of the Directors at the AGM in May 2015.

Non-executive Directors are expected to commit at least 18 to 20 days per annum and in practice spend considerably more than this. The Board is satisfied that each of the Non-executive Directors commits sufficient time to the business of the Company. An outline of the terms of engagement for the Non-executive Directors can be found on our website.

www.itvplc.com/about/governance

Non-executive Directors are appointed for an initial three year term and are reappointed annually thereafter following a formal, robust evaluation process.

During the year both John Ormerod's and Andy Haste's appointments were extended for a further 12 months. John Ormerod's appointment was again extended in January 2015. John Ormerod and Andy Haste have been Non-executive Directors for over six years. The Board continues to believe that they bring a wealth of knowledge and experience to their deliberations and provide a valuable contribution as Chairmen of the Audit Committee and Remuneration Committee respectively.

Skills and experience

There are job descriptions in place for each of the Chairman, the Chief Executive, and the Senior Independent Director which have been agreed by the Board.

Biographical details for the Directors are set out on page 59, with fuller biographies available on our website.

www.itvplc.com/about/management/board-of-directors

The Board is still of the view that the Non-executive Directors are independent in both character and judgement. They constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board works well together, bringing strong, independent, balanced judgement, knowledge and experience to its deliberations. Each Non-executive Director has appropriate skills and experience so that their views carry significant weight in the decision making.

Governance

Corporate Governance continued

Board and Committee membership and attendance at meetings in 2014

Scheduled meetings are shown in black and ad hoc meetings are shown in orange.

	Status	Notes	Date of appointment to the Board	Time in office Y/M	Contract renewal date	Board	Nomination Committee	Remuneration Committee		Audit Committee	
						10	1	6	1	5	2
Peter Bazalgette	Independent	1	1 June 2013	**1**/8	1 June 2016	10	1	3	1	–	–
Adam Crozier	Executive	2	26 April 2010	**4**/10	n/a	10	–	–	–	–	–
Roger Faxon	Independent		31 October 2012	**2**/4	31 October 2015	10	1	–	–	–	–
Ian Griffiths	Executive	2	9 September 2008	**6**/5	n/a	10	–	–	–	–	–
Mary Harris	Independent	3	28 July 2014	**0**/7	28 July 2017	3	1	–	–	–	–
Andy Haste	Independent SID	4	11 August 2008	**6**/6	11 August 2015	9	1	6	1	5	2
Lucy Neville-Rolfe	Independent	5	3 September 2010	-	n/a	7	0	–	–	2	1
Archie Norman	Independent Chairman		1 January 2010	**5**/2	1 January 2016	10	1	6	1	–	–
John Ormerod	Independent		18 January 2008	**7**/1	18 January 2016	10	1	6	1	5	2

1. Peter Bazalgette was appointed to the Remuneration Committee on 1 June 2014 and so did not attend the three meetings held prior to his appointment.
2. Executive Directors have rolling service contracts that provide for 12 months' notice on either side. For more details see page 94.
3. Mary Harris was appointed to the Board on 28 July 2014. Seven of the ten scheduled Board meetings were held prior to her appointment.
4. Andy Haste did not attend a scheduled Board meeting on 30 September 2014 due to other Board commitments.
5. Lucy Neville-Rolfe stepped down from the Board on 17 July 2014.

Our committees

The Board has delegated certain responsibilities to its committees. The terms of reference for each committee are reviewed annually and the current versions are available on our website.

www.itvplc.com/about/governance

Audit Committee

See the Audit Committee Report on page 75.

Remuneration Committee

See the Annual Remuneration Report on page 82.

Nomination Committee

This committee is composed of the Non-executive Directors.

The role of the Nomination Committee is to:

- review the structure, size, and composition of the Board, including skills, knowledge and experience;
- identify and nominate for Board approval candidates to fill Board vacancies;
- consider succession planning for Directors and other Senior Executives; and
- consider and review any conflicts of interest that may be reported by the Directors.

In addition to considering matters under its terms of reference, the Committee considered candidates for a Non-executive Director appointment. Further details are set out in the Composition and Appointments section on page 69. The Committee also reviewed a detailed succession planning framework and undertook an annual review of conflicts of interest.

Full details of attendance at committee meetings can be found in the table above.

The Company also has the following committees:

General Purpose Committee: the Committee is composed of the Executive Directors. The Committee meets as required to conduct the Company's business within the clearly defined limits delegated by the Board and subject to those matters reserved to the Board.

Disclosure Committee: the Committee is composed of the Executive Directors and other members of the senior management team. The function of the Committee, in accordance with the Company's Inside Information Policy, is to ensure compliance with continuing obligations under the Disclosure and Transparency Rules and the Listing Rules.

Tax and Treasury Committee: the Committee is composed of the Group Finance Director and other senior managers from Tax, Treasury, Finance and Legal. The function of the Committee is to consider and approve (in line with authority delegated by the Board) tax and treasury-related matters in respect of corporate transactions or activities such as bank account management, borrowings, acquisitions, financing and hedging transactions, intercompany transactions, incorporation/liquidation of Group subsidiaries and guarantees. In addition, the Committee has a monitoring role over general compliance with tax and treasury related policies and procedures.

Effectiveness

Evaluation

In 2012 the Board's effectiveness was externally reviewed by YSC, a global firm of business psychologists. One of the outcomes was an ongoing programme facilitated by YSC. The review focused on roles and responsibilities, culture, balance of skills and experience, diversity, how the Board works together and how effective the Directors are in assisting the executive team in achievement of the strategy.

YSC have also been involved in supporting the review of the Board make-up and composition. They have no other connection with the Company.

The work of the Board and its committees is reviewed annually with the support of the Company Secretary. In 2014 particular focus was on the effectiveness of our board committees.

In accordance with the Code the Chairman will be undertaking an externally facilitated board and committee evaluation in 2015.

Succession planning and diversity

Board tenure

All Directors are required by the Company's Articles of Association to be elected by shareholders at the first AGM following their appointment by the Board. Subsequently, all Directors are subject to annual re-election by shareholders as recommended by the Code.

0–2 years
25%

2–4 years
12.5%

4–7 years
62.5%

Succession planning

The Board has agreed a succession planning framework to ensure that:

- Board tenure is appropriate and encourages fresh thinking and new ideas;
- the Board is sufficiently diverse but most importantly has the appropriate mix of generalist and specialist skills; and
- Non-executive Directors have the appropriate level of independence, from the executive and each other.

The Board keeps this under constant review.

When planning succession within the Company consideration is given to emergency cover together with medium and long term succession. There is particular emphasis on growing the internal leadership pipeline through the launch of the following key programmes:

Executive Development Programme

Next generation potential Board successors, giving them an opportunity to develop their management potential and gain a greater understanding of the business.

Developing Future Leaders Programme

Delegates selected from across the business identified as a result of the performance review process. Content includes understanding what it means to be a leader at ITV, how to manage performance effectively, coaching skills and change management.

Graduate Programme

Apprentice Programme

A comprehensive portfolio of development courses and workshops for all colleagues which address common development needs is in place.

Corporate Governance continued

Diversity

It is our policy to retain a strong but relatively small Board bringing a balance of in-depth commercial and creative experience. It continues to be the Board's intention to increase the diverse make-up and representation as opportunities arise, but given the size of the Board specific formulaic targets are not appropriate.

Diversity within the organisation is integral to achieving our business aims. Reflecting the demographics of our customers and understanding their needs ensures that our brand, services and products are accessible, inclusive and have wide appeal. The Company's aim is to represent modern Britain both within the organisation and across our products and services. Year-on-year progress has been achieved in working towards this target. Key activity in 2014 included:

- Introduction of the Social Partnership. A framework for all programme suppliers that outlines ITV's expectations when it comes to diversity and inclusion within both the workforce and programme content.
- Sustaining programme portrayal monitoring across 75% of our programmes. ITV is also sharing best practice and leading on the technical development of a pan-industry monitoring process to capture diversity data and areas for improvement across the industry's supply chain.
- Continuation of programmes and initiatives to develop minority talent such as our 'Breaking through Talent' and 'Original Voices' scheme in drama to our continued support of the inaugural Asia Media Awards.
- Continued Chairmanship (Adam Crozier) of the Creative Diversity Network. The industry's network looks at joint action and responsibility for addressing representation and inclusion across the industry.

Induction

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

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

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

The key stages of the induction programme are:

Stage		
Stage 1	**Provision of documents**	Duties of a director, Board procedures, Board and strategy papers and corporate governance
Stage 2	**Meeting with Chief Executive and Group Finance Director**	Business overview, strategy, current trading and key commercial issues
	Meetings with Non-executive Directors	Open discussion forums
	Meetings with Management Board members and other Senior Executives	Commercial issues and projects
Stage 3	**Site visits**	Understanding of the business and operations

Additional specific induction programmes are in place when Non-executive Directors join committees.

Continuing professional development

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

- updates and papers which cover changes affecting the Group and the market in which it operates;
- meetings with senior executives across the Group and key advisers;
- regular updates on changes to the legal and governance requirements of the Group and in relation to their own position as Directors; and
- presentations given at board and committee meetings on business matters and technical update sessions from external advisers where appropriate.

As part of their professional development Executive Directors may accept external appointments as Non-executive Directors of other companies and retain any related fees paid to them. Details of positions held and fees received by Executive Directors in 2014 can be found on page 94.

Conflicts of interest

The Board has delegated the authorisation of conflicts to the Nomination Committee and has adopted a Conflicts of Interest Policy.

The Board has considered in detail the current external appointments of the Directors which may give rise to a situational conflict and has authorised potential conflicts where appropriate.

This authorisation can be reviewed at any time but will always be subject to annual review. The Board is confident that these procedures operate effectively.

Insurance and indemnities

The Company maintains liability insurance for its Directors and officers which is renewed on an annual basis. The Company has also entered into deeds of indemnity with its Directors. A copy of the indemnity can be found on our website.

www.itvplc.com/about/governance

Relations with shareholders

The Board attaches a high priority to effective communication with shareholders and has regular and open dialogue with investors. The Board believes that continued engagement with shareholders is beneficial to both ITV and its stakeholders as it helps to build a greater understanding of investors' views, opinions and concerns. Adam Crozier, Ian Griffiths and our investor relations team meet with many institutional investors throughout the year to keep them updated on the Company's performance against our strategy. These range from one-to-one meetings to group presentations including the Full Year and Interim results and the AGM. Specifically, following the Full Year and Interim results one-to-one meetings are held with our largest institutional investors.

The Chairman also responds to shareholder queries and holds meetings where appropriate.

The Company maintains a programme of engagement with the investment community, including results presentations, briefings to brokers and other sales forces and attendance at a number of investor conferences.

Presentations given to the investment community are available to download from our website

www.itvplc.com/investors

We regularly seek feedback on the perception of the Company amongst shareholders and the investor community more broadly via our corporate brokers. Investor comments are fed back to the Board and its committees regularly.

Private shareholders represent more than 92% of our shareholders, holding 2.93% of our shares. We encourage shareholders to register their email addresses to receive information from us in a timely manner.

Corporate Governance continued

AGM

The AGM will be held on Thursday, 14 May 2015 (further details can be found on page 65). The Notice of Meeting sets out the resolutions being proposed. The Notice, together with any related documents, is made available to shareholders on our website or is mailed to them, if they have elected to receive hard copies, at least 20 working days before the meeting. Last year all resolutions were passed. Details of the votes cast on each resolution are on our website.

www.itvplc.com/investors/annual-general-meeting

In 2014 the meeting was attended by 125 shareholders. Shareholders are invited to meet the Directors prior to and after the formal proceedings. At the meeting the Chairman and Chief Executive will review the Group's current trading which is followed by a question and answer session. Separate resolutions are proposed on each substantially separate issue and all resolutions are taken on a poll. The level of votes lodged on each resolution is made available on a regulatory information service and on the Company's website as soon as possible after the meeting.

www.itvplc.com/investors/annual-general-meeting

Shareholders who are not able to attend the meeting can vote online in advance via our website or by completing and returning a form of proxy.

Save in exceptional circumstances, all members of the Board will attend the AGM.

Audit Committee Report

John Ormerod
Chairman, Audit Committee

"We continue to focus on financial reporting judgements and disclosure and in challenging management to develop controls to anticipate future opportunities and risk."

In this report . . .

The purpose of this report is to highlight areas that the Committee has reviewed during the year, reporting back to shareholders the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements. The report also notes any areas or specific topics, such as risk, that the Committee has reviewed. Also highlighted is how the Committee has assisted the Board in reviewing the Company's internal control environment, and what the Committee has done to review the effectiveness of both internal and external auditors. The report describes what the Committee does, and what processes and controls are in place to help ensure that the Annual Report presents a fair, balanced and understandable view of the business.

Dear Shareholder,

On the following pages we set out the Audit Committee's Report for 2014. The report comprises four sections:

- How the Committee works
- What we focused on in 2014
- Internal controls
- Our auditors

This is our second year of providing more extensive reporting on the work of the Committee. In addition to providing a general overview of the scope we have sought to identify areas of particular focus in the year. These include:

- **Acquisitions:** we have continued to invest in our production business in particular outside the UK. The Committee engages at an early stage with all significant potential acquisitions. We review with management the approach to due diligence and review the results of that work prior to submission to the Board. We consider carefully the appropriate accounting for arrangements which are designed both to incentivise creative talent and manage financial risk.
- **Investment in programmes:** in line with our strategy we have started to invest in production of high end drama both in the UK and the US. These projects carry some increased financial risks, primarily because the production cost is only partially covered by pre-selling to the network, leaving a "deficit" which we seek to recover through international distribution. The Committee considers the appropriate accounting for the investment and subsequently reviews management's assessment of the carrying value of the assets.
- **Technology:** technology is key to our competitive success in areas such as online but also to improving our operational efficiency. The Committee has continued to review the plans and controls over technology change and for maintaining control in areas where legacy systems continue to operate.

We continue to focus on financial reporting judgements and disclosure and in challenging management to develop controls to anticipate future opportunities and risk. Management is committed to continuous improvement. For example in 2014, a Tax and Treasury Committee was established to which I am invited and I attended one of its early meetings. New procedures are also being implemented to improve the coordination of risk management across the business.

Since Lucy Neville-Rolfe left the Board we have been a Committee of two. This is not ideal and the Nomination Committee is looking to strengthen the Committee's membership in 2015.

We seek to respond to shareholders' expectation of audit committee reporting and would welcome feedback.

John Ormerod
Chairman, Audit Committee
4 March 2015

Audit Committee Report continued

Our role

The role of the Committee includes to:

- monitor the integrity of the published financial information of the Company;
- review and report to the Board on the significant financial reporting issues and judgements made in connection with the preparation of the published financial information of the Company (having regard to matters communicated by the auditor);
- review the consistency of, ongoing appropriateness of, and changes to, accounting policies and consider the methods used to account for significant or unusual transactions;
- review the effectiveness of the internal control and risk management processes;
- review the Company's whistleblowing process;
- review and approve the internal audit plan;
- monitor and review the effectiveness and independence of the internal audit function;
- monitor and review the effectiveness of management in addressing internal and external audit actions;
- review the quality and effectiveness of the external audit and the procedures and controls designed to ensure auditor independence;
- consider and make recommendations to the Board in relation to the appointment, reappointment, replacement, and remuneration of the Company's external auditor; and
- where requested by the Board, provide advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Committee's terms of reference can be accessed on our website .

www.itvplc.com/about/governance

Who is on the Committee

The Committee is composed entirely of Non-executive Directors. The current members are:

- John Ormerod (Chairman)
- Andy Haste

Lucy Neville-Rolfe stepped down from the Board and as a member of the Committee on 17 July 2014.

Full details of attendance at Committee meetings can be found on the table on page 70.

How the Committee works

Whilst the Committee members have between them a wide range of business and financial experience we are mindful that membership of the Committee needs to be strengthened, which is being addressed. The Committee considers that John Ormerod has recent and relevant financial experience for the purposes of the Code.

The Chief Executive, Group Finance Director and internal and external auditors attended meetings during the course of the year at the invitation of the Chairman of the Committee. Members of the Management Board and other senior management have attended certain meetings by invitation. The Committee as a whole has regular private sessions with both internal and external auditors and also, when appropriate, with the Group Finance Director.

In addition, throughout the year the Chairman of the Committee has individual sessions with the other Committee member and meets informally, and has open lines of communication, with the Group Finance Director, Head of Internal Audit and the senior engagement team from the external auditor. This group generally meets ahead of each full Committee meeting to prepare and identify key areas for consideration.

The Committee works to a structured programme of activities with agenda items focused to coincide with key events of the annual financial reporting cycle, themes or areas of risk that the Committee has identified, together with standing items that the Committee is required to consider regularly under its terms of reference. Reports are provided by management, internal audit, and external audit, addressing the key risks and reporting matters faced by the Group. Following each meeting the Committee communicates its main discussion points and findings to the Board.

In addition to formal meetings, from time to time, Committee members have informal briefings on topics relevant to the Committee's work from members of the operational and financial management teams and external auditor.

In reviewing the various topics on its agenda the Committee members receive input from management, internal audit and external audit as appropriate. Committee members draw upon this and their own experience to provide a constructive challenge to the judgements made by management and consider alternative scenarios or accounting treatments in reaching their conclusions.

What we focused on in 2014

In planning its own agenda, and reviewing the audit plan of the internal and external auditor, the Committee takes account of significant issues and risks, both operational and financial, likely to impact on the Company's financial statements. The Committee also addresses specific queries referred to it by the Board or Remuneration Committee.

An annual review of the performance of the Committee was conducted for the year. In addition to feedback from members of the Committee, input was sought from the Group Finance Director, external auditors, Internal Audit and the Chairman of the Board. Overall, the review concluded that the Committee is responding appropriately to its terms of reference and will continue to develop its role.

Below is a summary of some of the more significant risks and issues discussed in the year by the Committee.

During 2014 there were no topics where there was significant disagreement between management, our external auditor and the Committee, or unresolved issues which needed to be referred to the Board.

Financial reporting

As part of the Committee's review of the Interim and Full Year financial statements, the following were discussed:

Complex discrete transactions in the year

The Group completed certain transactions during the period which were outside the normal course of business. The Committee carefully reviewed these one-off transactions to ensure that the judgements applied by management were reasonable and any complex accounting guidance followed correctly. The topics discussed in the year covered acquisitions and strategic investments.

Acquisition accounting for Leftfield (see note 3.4 for details of acquisitions): following the acquisition of Leftfield, the Committee ensured consistency in application of principles to previous deals and reviewed the treatment and presentation of performance-related commitments between ITV and the sellers:

- Consistent application of acquisition accounting: as part of the review of the acquisition of Leftfield, the Committee reviewed the areas of judgement applied by management around control, the valuation of intangibles, and the put option valuation. The Committee concluded that the assumptions and judgements taken by management were on a basis consistent with previous acquisitions and IFRSs.
- Performance-related consideration: the Leftfield acquisition structure allowed for a further amount payable ('top up payment') or receivable ('performance adjustment') based on stretching performance of the business in the two years following acquisition. Structuring the deal this way helped manage risks in terms of initial capital outlay and created a joint incentive between ITV and the previous owners to grow the business. At the year end management considered it appropriate to include a performance adjustment in the goodwill calculation. The Committee discussed management's analysis for adjusting goodwill rather than the income statement and the Committee concluded that management's analysis was fair.

Strategic investments: during the year management acquired small equity interests in four different businesses. Although the total investment value is not significant, the Committee considered it important to discuss whether as a result of the investment the Group had significant influence over these businesses. This determines whether an acquisition is treated as an associate or as an investment. The Committee debated management's role in the business operations of the investment, and concluded that management's analysis and treatment as an investment was appropriate.

Recurring transactions in the year

There are a number of areas where the Group transacts as part of its business as usual. However, these areas may require the application of judgement by management or have underlying complexity that should be considered on an ongoing basis by the Committee.

Audit Committee Report continued

Consequently, the following key topics are reviewed by the Committee:

Revenue: every year the Committee considers management's assessment of the Group's internal controls framework, which includes control over revenue. In 2014 the Committee requested an internal audit exercise to specifically review the risks and controls surrounding each of the Group's main revenue streams, including NAR and ITV Studios revenue. The Committee reviewed Internal Audit's findings and agreed that the Group's processes and controls around existing revenue streams have remained consistent and effective during the year.

Deal debt: deal debt is where management provides for over/under delivery of advertising value to agencies. The Committee reviews management's approach and method of determining the provision required and ensures consistency is applied in estimating inputs. The Committee is satisfied that the provision has been calculated on an appropriate and consistent basis with prior years.

Other topics also reviewed during the year included:

Royalty accruals: the Group is required to make royalty payments for content broadcast and distributed where we do not own all the rights. Such payments are in accordance with individual contracts, and the large variety of terms results in a complex and manual process. After an annual review of processes and controls, the Committee was satisfied with the improvements management continues to make in the controls over royalty payments and as with previous years, the Committee considered the estimated accrual to be reasonable.

Deficit financing: as part of management's strategy to expand its content portfolio, significant investment in high end drama was made during the year. The Committee has reviewed and considered the accounting implications, including revenue recognition and recoverability of the deficits invested. The Committee concluded that the accounting treatment was appropriate.

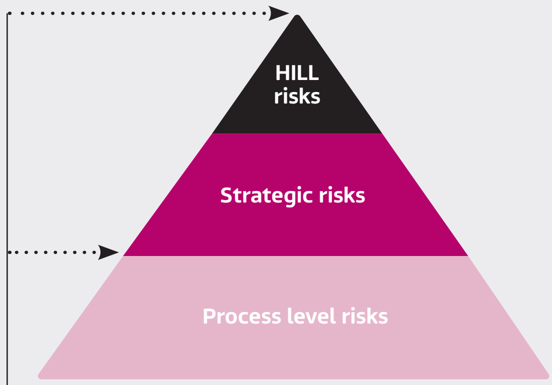
Pension accounting: the Group's defined benefit pension scheme is a significant net liability on the Group's balance sheet (see note 3.7) and the value of the scheme liabilities will fluctuate due to changes in underlying assumptions (and the assets are held at market value). The main assumptions which drive the fluctuations in liabilities include the forecast bond yield rates and the forecast inflation rate. The Committee considered both the process management undertook to finalise the assumptions, and how these assumptions benchmark against the market. The Committee concluded that the process was robust and the resulting calculation appropriately balanced.

Tax: the Group recognises certain provisions and accruals in respect of tax. The Committee debated the nature and key risks which give rise to corporate tax, payroll and VAT issues, and discussed the activities when management undertakes to resolve the matters that give rise to such provisions. Where support from our tax advisers is received, the results and views of their work are also reviewed. The Committee concluded that the provisions at the year end were appropriate (see note 2.3).

Identification of Cash Generating Units (CGU): every year the Committee considers management's identification of CGUs for the purposes of testing for impairment of goodwill. Following the additional acquisitions made by ITV Studios during 2014, the Committee debated how assets and resources are shared across the ITV Studios division and the level of integration within the management structure for the purposes of reporting and strategic decision-making. The Committee concluded that a single ITV Studios CGU continued to be appropriate.

Risk management

The Committee continued to consider the process for managing risk within the business.



Every year the Board and senior management review and challenge the Group's High Impact Low Likelihood (HILL) risks, and the Strategic risks. Each risk is assigned an owner and has a series of mitigating actions identified.

An updated list of risks is included within the Strategic Report on pages 50 to 55.

For the Group's HILL risks the Committee reviewed the Group's current level of exposure and considered the appropriateness of the mitigating actions being taken by management.

The Committee also considered management's response to strategic risk, including the level of assurance provided around the risk and how the risk is tracked using key risk indicators. With regard to process risks the Committee reviewed how effective management was in addressing the findings of internal and external audit, as well as the method by which management accepted process risks.

The Committee has in place a rolling programme to review key compliance and other risk.

The Committee was comfortable with the processes in place for risk management, that the Internal Audit plan for 2015 was aligned to the highlighted risks and with those process risks that have been accepted.

Internal Controls

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

- **Strategy and financial reporting**: the strategy is reviewed and approved by the Board. The Group performs a comprehensive annual strategy review and a rolling five year financial planning exercise. The five year plan feeds into the annual budget cycle. The Executive Directors review formal forecasts, detailed budgets, strategies and action plans and the Board approves the overall Group budget as part of its normal responsibilities. The results of operating units are reported monthly, along with an update of the Group's performance against strategic KPIs and cash. Actual results are compared to budget and forecasts, and key trends and variances are explained and analysed.
- **Organisational structure and authorisation procedures**: the Group has an established organisational structure with clearly stated lines of responsibility, approval levels and delegated authorities.
- **Risk identification and assessment**: management is responsible for identifying the risks facing the business and for establishing controls and procedures to monitor and mitigate those risks.
- **Risk appetite and management**: the Board is responsible for establishing risk appetite and a robust risk management process and for regularly reviewing the identified risks. The Committee keeps the effectiveness of the process under regular review.
- **Control environment:** financial controls, policies and procedures are considered as part of the Group's ongoing risk assessment process. These controls are reviewed to ensure risks are identified and the processes and procedures are in accordance with and aligned to the strategy. The Internal Audit team provides objective assurance as to the effectiveness of the Group's systems of internal control and risk management, reporting to both the Management Board and the Committee.
- **Reviewing and monitoring the effectiveness of internal controls:** controls are monitored by senior management, internal audit and the Committee. Remedial plans are put in place where controls are weak or there are opportunities for improvement. Serious control weaknesses (if any) are reported to the Board and action taken as appropriate.
- **Post-acquisition review**: when introducing the Group's procedures and control environment to an acquisition, management is responsible for ensuring that key areas of governance are implemented and that operational and financial processes are aligned to the Group. A full post-acquisition review is presented to the Committee in the year following the acquisition.
- **Data analytics**: the Group has a suite of automated analytics tests that enables the Group to continuously highlight exceptions from the norm over its transactional financial data. The analytics have been expanded and have contributed to a stronger and more efficient control environment.

Technology Risk

As we execute our strategy the technology infrastructure has to evolve to support new revenue streams. Legacy systems supporting the existing business remain in place. It therefore remains important to have an effective technology governance framework that seeks to address the risks arising from the above environment.

Audit Committee Report continued

As part of ongoing governance the Committee reviewed cyber security, which is a priority as the frequency and sophistication of attacks increases. In 2013, management initiated a review of cyber security within ITV which highlighted a number of areas to enhance our controls and readiness. In 2014 Internal Audit assessed progress against agreed recommendations and evaluated that relevant progress had been made. This will continue to be an area of focus for management and the Committee in 2015 and beyond.

Whistleblowing

ITV has arrangements in place that enable employees to raise concerns in confidence about any possible risks to employees, clients or the Company. In 2014 ITV asked the whistleblowing charity Public Concern at Work to carry out an independent review of these arrangements and it was concluded that they were proportionate and allowed independent investigation of matters raised and for follow-up action to be carried out. ITV became a signatory to The First 100 campaign which seeks to champion enlightened organisations who are committed to ensuring that their arrangements meet best practice.

Our auditors

Internal auditor

The Group's internal audit activity is outsourced to Deloitte who report directly to the Committee. The Committee keeps under review the internal audit relationship with Deloitte and the procedures to ensure appropriate independence of the internal audit function is maintained. In particular, the Committee has approved guidelines in relation to other advisory and consultancy work that Deloitte may undertake for the Company, which adheres to the underlying principle that they cannot implement controls that they audit. Other services provided by Deloitte included tax and corporate finance advice.

Until November 2014, Deloitte were the Group's Remuneration Committee advisers. Following a review, FIT Remuneration Consultants were appointed as advisers.

The effectiveness of internal audit is assessed over the year using a number of measures which include (but are not limited to):

- an evaluation of each audit assignment completed using feedback from the part of the business that has been audited; and
- a high level annual review that is completed by obtaining feedback from senior management in each division.

At the start of the year the Committee considered and approved the internal audit plan, which included audits across the Group as well as assurance over live projects. During the year the Committee reviewed findings from these internal audit reports, the actions taken to implement the recommendations made in the reports and the status of progress against previously agreed actions. All internal audit reports are available to the Committee as required.

External auditor

Auditor engagement

Throughout the year the Committee received reports from the auditor (KPMG) on their plans and the progress and results of their work.

The Committee considers carefully the scope of planned work and the assessment of risk and materiality on which it is based. In particular through the Chairman the Committee participates in the negotiation of the audit fee arrangements to ensure that there is an appropriate balance between the scope of work and the cost of assurance. The Committee's aim is to support a robust and effective audit and strong reporting lines to the Committee.

In 2012 the Committee conducted a tender process for external audit services, the main outcome of which was the reappointment of KPMG, and a plan for the development of the external audit approach over a two to three year period. The Committee continues to monitor the implementation of these changes.

Having recommended the reappointment of KPMG in 2012 following a competitive tender the Committee does not propose seeking further competitive proposals in 2015. However the Committee will monitor the upcoming changes in regulation for auditor appointments and, once we understand how the EU Regulations will be implemented in the UK, we will comply with any applicable new requirements.

Auditor effectiveness

Audit quality is reviewed throughout the year with the focus on: strong audit governance; the firm's methodology and its effective application to ITV; robustness of challenges and findings on areas which require management judgement; and the quality of the senior members of the audit team.

In particular, the effectiveness of the audit is assessed over the year using a number of measures including (but not limited to):

- reviewing the quality and scope of planning of the audit and its responsiveness to changes in our business;

- implementation of planned improvements;
- monitoring the independence and transparency of the audit;
- reviewing the Financial Reporting Council's Audit Quality Review (AQR) reports for KPMG and other audit firms; and
- seeking feedback from KPMG on any external or internal quality review of our audit.

At the conclusion of each year's audit the Committee performs a specific evaluation of the performance of the external auditor. This is supported by the results of questionnaires completed by the Executive Directors and relevant senior management, both finance and non-finance, covering areas such as quality of audit team, business understanding, audit approach and management. Where appropriate, actions are agreed against the points raised and subsequently monitored for progress. There were no significant findings from the evaluation this year and the Committee considers the external audit to have been robust and effective.

Independence, objectivity and fees

The Committee seeks to ensure the objectivity and independence of our auditor through:

- focus on the assignment and rotation of key personnel;
- the adequacy of audit resource; and
- policies in relation to non-audit work.

The senior audit partner serves no more than five years continuously and the independent review partner serves no more than seven years continuously. Other key partners serve for no longer than seven consecutive years. The Committee monitors the tenure of partners and senior staff as well as former employees working for the Company. The appointment by the Company of former senior employees of the external auditor would require approval of the Committee.

The Committee regularly monitors the other services being provided to the Group by its external auditor, and has developed a formal policy to ensure this does not impair their independence or objectivity. The policy is based on the five key principles which underpin the provision of other services by the external auditor. These are that the auditor may not provide a service which:

- places them in a position to audit their own work;
- creates a mutuality of interest;
- results in the auditor developing close personal relationships with ITV employees;
- results in the auditor functioning as a manager or employee of ITV; or
- puts the auditor in the role of advocate for ITV.

The policy is reviewed annually and is available in full on our website.

www.itvplc.com/about/governance

Other than in exceptional circumstances management and the Committee do not expect non-audit fees to be in excess of fees for audit and audit-related services. The non-audit fees for 2014 were just over half that of the audit fees. A report on the level of non-audit work provided by the auditor is given to the Committee half yearly. No changes have been made to the policy during the year. Full details are set out in note 2.1 on page 120.

The significant non-audit engagements related to VAT and corporate tax services, including tax advice. Significant engagements require the prior approval of the Chairman of the Committee.

The Committee has formally reviewed the work undertaken by KPMG for the Committee and elsewhere in the Company and is satisfied that the advice they have received has been objective and independent.

Reappointment

During the year the Committee considered the performance and audit fees of the external auditor, and the level of non-audit work undertaken, and recommended to the Board that a resolution for the reappointment of KPMG for a further year as the Company's auditor be proposed to shareholders at the AGM in May 2014. The resolution was passed and KPMG was reappointed for a further year.

The Committee has recommended the reappointment of KPMG at the AGM in May 2015.

Annual Remuneration Report

Andy Haste
Chairman, Remuneration Committee

"Led by the executive team we have again delivered a year of double digit growth, building on the significant progress we have made to rebalance and grow the business over the last few years. We have done this by having the right team in place focused on the key strategic priorities."

In this report . . .

The purpose of this report is to set out for shareholders the principles and policy we apply to remuneration for our Executive Directors and to update you on how we have applied these for the financial year ended 31 December 2014. The report also aims to demonstrate how our Remuneration Policy is aligned to our strategy, supports the retention of the Executive Directors and rewards them for out- performance.

Dear Shareholder,

On the following pages we set out:

- our Annual Remuneration Report (pages 84 to 95) which will be subject to an advisory vote at our AGM in May 2015; and
- our Remuneration Policy table (pages 96 to 99) which was approved at the AGM in May 2014 for a three year period. The full Remuneration Policy is available on our website.

www.itvplc.com/about/governance

During 2013 and early 2014 we undertook an extensive review of our approach to remunerating Executive Directors, to ensure that our remuneration framework remained aligned with the strategy of the business as we move into our next phase of development. We believe that this tailored framework links closely to our strategy and key KPIs, which are set out in the Strategic Report.

As part of the review we consulted widely with our shareholders. We subsequently published our Remuneration Policy and proposed a new Long Term Incentive Plan (LTIP), both of which were approved by shareholders at the AGM in May 2014. We have reviewed the revised UK Corporate Governance Code (the Code) and are satisfied that our remuneration framework promotes long term interest and does not encourage undue risk taking.

Our performance in 2014

Led by the executive team we have again delivered a year of double digit growth, building on the significant progress we have made to rebalance and grow the business over the last few years. We have done this by having the right team in place focused on the key strategic priorities.

Remuneration outcomes in 2014

As explained above, due to another year of double digit growth the performance against financial targets other than share of viewing, has been exceptional.

The bonus payout levels for the Executive Directors were 94% for Adam Crozier and 95.2% for Ian Griffiths. Further details are set out on page 85. We have included additional disclosure of personal objectives for the 2014 bonus, but the Board continues to believe that targets remain commercially sensitive for a two year period following the relevant year end.

During the year, awards made under the Performance Share Plan (PSP) in 2012 reached the end of their performance period, and will become exercisable in March 2015. Details are set out on page 87. The Remuneration Committee has not exercised any discretion during the year or felt it appropriate to call on malus provisions.

Remuneration Policy implementation 2015

Bonus targets and performance conditions for LTIP awards to be made in 2015 have been set in line with the Remuneration Policy and have been aligned closely with our strategy. Details are set out on pages 91 and 92.

At the end of May 2014, following the AGM, we made the first awards under the LTIP to the Executive Directors. Details of the awards made and the relevant performance conditions are set out on page 89.

Malus and clawback

In order to take current best practice and the Code guidance into account, the Committee considered and has updated its position on malus and clawback. This now applies to the cash as well as the deferred element of the annual bonus and a clear time horizon is in place over which the provisions will operate. Further details are set out on page 92.

Advisers

During 2014 we took the decision to undertake a review of our Committee advisers. Deloitte have been advisers to the Committee for many years and the Committee believed a review would be good governance practice. As a result of this review, the Committee appointed FIT Remuneration Consultants as their advisers with effect from 28 November 2014. FIT are signatories to the Code of Conduct of the Remuneration Consultants Group.

Shareholder views

Details of voting on remuneration resolutions at the Annual General Meeting in May 2014 are set out on page 90. We were pleased to receive strong investor support for our new Remuneration Policy and LTIP. While a number of shareholders voted against the Annual Remuneration Report, we understand that a primary concern was the number of changes we were making to the remuneration of the Executive Directors at the same time. We will ensure that due account is taken of this when considering any increases in remuneration levels and will speak to shareholders in advance of any proposed material changes to future remuneration arrangements.

We seek to respond to shareholders' expectations of remuneration reporting and would welcome feedback.

Andy Haste
Chairman, Remuneration Committee
4 March 2015

Who is on the Committee

The Committee is composed entirely of Non-executive Directors. The current members are:

- Andy Haste (Chairman)
- Peter Bazalgette (appointed on 1 June 2014)
- Archie Norman
- John Ormerod

Full details of attendance at Committee meetings can be found in the table on page 70.

Throughout this report we make reference to Strategic Priorities. For reference these are as detailed in the tables below.

For awards made in 2015

	Target
1	Maximise audience and revenue from free-to-air and VOD business
2	Grow international content business
3	Build a global pay and distribution business

Further information on each of the above is set out in the Strategic Report on pages 22 to 33.

For awards made up to and including 2014

	Target
1	Create a lean, creatively dynamic and fit-for-purpose organisation
2	Maximise audience and revenue share from our existing free-to-air broadcast business
3	Drive new revenue streams by exploiting our content across multiple platforms, free and pay
4	Build a strong international content business

Further information on each of the above is set out in the 2013 Strategic Report available on our website **www.itvplc.com/investors**.

Annual Remuneration Report continued

Our role

The role of the Committee is primarily to:

- review the ongoing appropriateness, relevance and effectiveness of the Remuneration Policy including in relation to retention and development;
- approve the Remuneration Policy and strategy for the Executive Directors, Management Board and other Senior Executives (together the Senior Executive Group) taking into account arrangements for the wider employee group. Details on employee remuneration can be found in the Directors' Report on page 64;
- approve the design of the Company's annual bonus arrangements and long-term incentive plans, including the performance targets that apply for the Senior Executive Group; and
- determine the award levels for the Senior Executive Group based on performance against annual bonus targets and long-term incentive conditions.

The Committee's terms of reference can be accessed on our website.

www.itvplc.com/about/governance

How the Committee works

Principles considered when setting remuneration

The Company operates in the particularly competitive media market. We aim to balance the need to attract and retain high quality talent essential to the Company's success with the need to be cost-effective and to reward exceptional performance. The Committee has developed a Remuneration Policy for the Company that balances these factors, while taking into account the prevailing best practice and a fair outcome for investors.

A significant proportion of the remuneration package is tied to the achievement of stretching performance conditions, which align remuneration with our strategy to deliver strong business performance and create shareholder value. Individuals should be rewarded for success and performance measured over clear timescales. The remuneration package is focused on rewarding sustained long term performance and aligning executives with the shareholder experience.

What we did in 2014

In addition to finalising the remuneration review described in the Chairman's Governance Statement (which included extensive shareholder consultation), during 2014 our work was broadly in four areas:

Setting targets

- setting the business and personal performance targets for 2014 bonuses, aligned with the business plan for the year;
- setting the performance targets that would apply to awards made under the LTIP and PSP in 2014; and
- carrying out a preliminary review of annual bonus targets for 2015.

Reviewing outcomes

- reviewing the bonus outcomes and award levels for 2013 and indicative 2014 outcomes ahead of final approval in 2015; and
- approving the performance outcomes of the 2011 awards under the PSP.

Reward framework

- agreeing the base salaries for the Executive Directors as part of the remuneration review;
- agreeing the base salaries for the Senior Executive Group with effect from 1 January 2014, using the same process as applied to the wider employee population;
- agreeing the remuneration packages for new appointments to the Senior Executive Group and the arrangements for any leavers from this group; and
- finalising the new remuneration framework and LTIP.

Governance

- agreeing the Remuneration Report for 2013 prior to its approval by the Board, and approval by shareholders at the AGM in May 2014;
- conducting a formal process to review the independent external advisers to the Committee; and
- receiving and considering regular governance and regulatory updates.

Following each meeting the Committee communicates its main discussion points and findings to the Board.

An annual review of the performance of the Committee was conducted. In addition to feedback from members of the Committee input was also sought from the Chief Executive, Group HR Director and Deloitte. As a result it was agreed that the timing of Committee meetings would be more closely aligned with the reporting timetable of the Company. Overall the review concluded that the Committee is responding appropriately to its terms of reference and will continue to develop its role.

Total remuneration for 2014

The sections of the Annual Remuneration Report that have been audited by KPMG are pages 85 to 89, and page 93 (from and including Directors' Share Interests) to page 95.

Executive Directors

The table below sets out in a single figure the total remuneration for both Executive Directors for the financial year.

	Salary		Taxable benefits		Bonus (cash and shares)		Share awards		Joining award		Pension		Total	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Adam Crozier	**900**	841	**19**	20	**1,523**	1,403	**1,760**	2,076	**0**	3,950	**225**	109	**4,427**	8,399
Ian Griffiths	**550**	461	**14**	14	**864**	713	**944**	2,150	**0**	0	**138**	81	**2,510**	3,419
	1,450	1,302	**33**	34	**2,387**	2,116	**2,704**	4,226	**0**	3,950	**363**	190	**6,937**	11,818

Share awards 2013 – in the 2013 Annual Report and Accounts part of the amount shown was the indicative vesting value of the 2011 PSP awards that were subject to performance conditions measured to 31 December 2013. Consistent with the regulations, the figures shown in the table above represent the subsequent value received on the vesting date of 10 March 2014 using the share price on that day (197.2p), an increase of £54,132 in total.

Share awards 2014 - the amount shown is the indicative value of the 2012 PSP awards that were subject to performance conditions measured to 31 December 2014. The value was calculated using the average share price for the final quarter of 2014 (206.2p). See page 87 for further information.

Further information in relation to each of the elements of remuneration for 2014 set out in the table above is detailed below. An explanation for 2013 is set out in detail in our 2013 Annual Report and Accounts, which can be found on our website www.itvplc.com/investors.

Salary

Salaries are paid in line with our Remuneration Policy.

Taxable benefits

The benefits provided to the Executive Directors include the cost of private medical insurance and car-related benefits.

Bonus (cash and shares)

The bonus paid in respect of the financial year includes amounts that will be compulsorily deferred into shares for a three year period as set out below.

	% of maximum bonus opportunity earned	Value deferred into shares under the DSA £000	Value paid in cash £000	**Total value £000**
Adam Crozier	94.0%	508	1,015	**1,523**
Ian Griffiths	95.2%	288	576	**864**

Annual incentives are provided to Executive Directors through the bonus, with one-third of any award deferred into shares under the Deferred Share Award Plan (DSA). The performance conditions that apply to the bonus are set on an individual basis and are closely linked to the Company's corporate, financial and strategic priorities. This enables the Committee to reward both annual financial performance delivered for shareholders, and performance against specific financial, operational or strategic objectives set for each Director, which are closely linked to the strategic priorities of the business.

When considering performance outcomes the Committee looks beyond formulaic results to ensure the outcomes align with overall business performance.

Governance

Annual Remuneration Report continued

The majority of the bonus (60%) was based upon the achievement of corporate and financial targets.

The remainder of the bonus (40%) was based upon the Committee's assessment of the contribution the executive has made to the overall strategy through the delivery of specific targets. Both Executive Directors had a number of common objectives aligned to our strategic priorities and particularly relating to international expansion and repositioning of our digital channels.

During the year, particular achievements, in addition to the delivery of the stretching business plan, related to the rebalancing of the business by reducing our dependence on UK advertising and driving new revenue streams. This was achieved particularly in our Online, Pay & Interactive business where revenue was up 30%. We invested in three digital content businesses and launched two new channels, ITVBe and our first pay channel, ITV Encore. We continued to grow our international production business both organically and by acquisition, with 24% growth in international production revenue and the completion of three acquisitions including Leftfield, our biggest to date.

Adam Crozier was also assessed against the success of the relationship between ITV Studios and ITV Broadcast and there was an increase in ITV Studios' share of ITV output to 60%.

Ian Griffiths was also assessed against the outcome of a comprehensive review of the London property portfolio to ensure that it remains fit for purpose over the coming decade and, in particular, the establishment of the London Television Centre pension funding partnership in March 2014.

The Strategic Report sets out more detail of our achievements in the year.

The Committee ensured that the maximum bonus opportunity could only be achieved for significant out performance of all corporate, financial and individual targets, with on-target performance achieving a 60% payout of the maximum bonus opportunity.

The table below provides a summary of the performance measures, the level of performance achieved against the targets and the resulting level of payout.

		Performance achieved		Payout level		
Performance measure	**Weighting**	**Adam Crozier**	**Ian Griffiths**	**Adam Crozier**	**Ian Griffiths**	**Strategic Target**
ITV plc EBITA (before exceptional items)	45%	105.8%	105.8%	100%	100%	1 2 3 4
Profit to cash conversion	10%	108.44%	108.44%	100%	100%	1 2 3 4
Cost savings	5%	128.33%	128.33%	100%	100%	1
Individual targets	40%	85%	88%	85%	88%	1 2 3 4

The Board believes that the bonus performance targets are commercially sensitive information and will remain so until two years after the end of the financial year, while they are used in the business planning process for subsequent years. The targets will be disclosed once they are no longer commercially sensitive.

Share awards

We are required to show share awards in the remuneration table on page 86 according to the year in which the performance period for each performance condition came to an end. 100% of the awards made in 2012 under the PSP were subject to performance conditions measured to 31 December 2014.

The indicative value of these awards is set out below.

	Number of shares awarded	Value at award date £	**Number of shares vesting**	**Value at 31 December 2014 £**	Change in share price since award date
Adam Crozier	1,137,904	710,271	853,428	**1,759,769**	142.4%
Ian Griffiths	610,396	380,455	457,797	**943,977**	142.4%

The vesting figures shown in the table above reflect 75% of the total award that met performance conditions on 31 December 2014 and will become exercisable on 28 March 2015.

The share price used to value the shares at 31 December 2014 is the average share price for the final quarter of 2014 (206.2p).

When considering performance outcomes the Committee looks beyond formulaic results to ensure the outcomes align with overall business performance.

Details of the performance achieved for the 2012 PSP awards are below. A gateway condition of minimum cumulative adjusted EPS (26.15p) was met before any portion of the award could vest.

Performance measure	**Strategic Target**	**Weighting**	**Targets**	**Performance achieved**	**Payout level**
Cumulative adjusted EPS	1	50%	26.15p = 30% vesting		
			28.76p = 100% vesting		
			Vesting on a straight-line basis between	34.2p	100%
Family SOV	2	25%	Maintain 2011 level = 50% vesting		
			+2% on 2011 level = 100% vesting		
			Vesting on a proportionate basis between	(5.09%)	0%
Total non-NAR growth	3 4	25%	5% growth pa = 30% vesting		
			10% growth pa = 100% vesting		
			Vesting on a straight-line basis between	12.94%	100%

Pension

Pension contributions represent a cash allowance in lieu of pension with a value of 25% of base salary for both Executive Directors. The cash allowance does not form part of the base salary for the purposes of determining incentives.

Governance

Annual Remuneration Report continued

Non-executive Directors

The table below sets out in a single figure the total remuneration for Non-executive Directors for the financial year.

		Fees		Taxable Benefits		Total	
	Notes	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Peter Bazalgette	1	**65**	35	**–**	–	**65**	35
Mike Clasper	2	**–**	96	**–**	-	**-**	96
Roger Faxon		**62**	61	**–**	–	**62**	61
Mary Harris	3	**27**	–	**–**	–	**27**	–
Andy Haste	4	**112**	81	**–**	–	**112**	81
Lucy Neville-Rolfe	5	**37**	64	**–**	–	**37**	64
Archie Norman		**500**	500	**–**	–	**500**	500
John Ormerod		**87**	86	**–**	–	**87**	86
		890	923	**–**	–	**890**	923

1. Peter Bazalgette joined the Remuneration Committee on 1 June 2014.
2. Mike Clasper stepped down from the Board on 31 December 2013.
3. Mary Harris was appointed to the Board on 28 July 2014.
4. Andy Haste was appointed as SID on 1 January 2014.
5. Lucy Neville-Rolfe stepped down from the Board on 17 July 2014.

LTIP awards made in 2014

The LTIP was approved by shareholders at the AGM in May 2014. On 30 May 2014 awards were made under the LTIP to both Executive Directors in the form of nil-cost options, subject to performance over the period to 31 December 2016. 50% of any shares that vest can be exercised from the vesting date, the remaining 50% will be subject to a one-year holding period as follows:

	Award date	% Salary awarded	Number of options	Value at award date	Performance period ends	Vesting date	Release dates
Adam Crozier	30 May 2014	225	1,103,543	£2,025,000	31.12.16	30.05.17	50%–30.05.17
							50%–30.05.18
Ian Griffiths	30 May 2014	225	674,387	£1,237,500	31.12.16	30.05.17	50%–30.05.17
							50%–30.05.18

The number of nil-cost options was calculated using the average share price over a three-day period prior to the award date (183.5p).

The length of holding periods will continue to be phased in over the next two years. For awards made in 2015, 50% of any shares that vest will be subject to a one year holding period, and 50% to a two year holding period. For awards made in 2016, 100% of any shares that vest will be subject to a two year holding period.

The Committee sets targets for the LTIP taking into account external forecasts, internal budgets, business priorities, and risks and uncertainties. Targets are set to be appropriately stretching in this context, with maximum performance set at a level which is considered to be the delivery of exceptional performance.

The awards made in 2014 are subject to performance measures and targets as set out below. Awards will be subject to an initial cumulative adjusted EPS performance gateway equal to that required for threshold performance (37.1p) before any portion of the award can vest.

Performance measure	Strategic Target	Weightings	Threshold	Maximum
Cumulative adjusted EPS	1	50%	37.1p	42.3p
Family SOV	2	20%	23.05%	23.51%
Total non-NAR growth	3 4	10%	5% growth pa	10% growth pa
International Production revenue	4	10%	5% growth pa	15% growth pa
Online, Pay & Interactive revenue	3	10%	5% growth pa	18% growth pa

Threshold vesting for all targets is 20%. Vesting between threshold and maximum is on a straight-line basis.

When assessing performance against the Family SOV target, the Committee will also have regard to the health of the main ITV channel.

Payments to past Directors or for loss of office

No payments were made during the year.

Consideration of Directors' remuneration

The Directors who were members of the Committee when matters relating to the Executive Directors' remuneration for the year were considered are set out on page 83.

The Committee obtains advice from various sources in order to ensure it makes informed decisions. The Chief Executive and Group Finance Director are invited to attend Committee meetings as appropriate. No individual is involved in decisions relating to their own remuneration.

The Group HR Director is the main internal adviser and provides updates on remuneration, employee relations and human resource issues.

Deloitte acted as the independent adviser on remuneration policy and the external remuneration environment during 2014 and provided advice on benchmarking, shareholder consultation and new long term incentive arrangements. Total fees for the advice provided to the Committee during the year amounted to £94,000. During the year Deloitte also provided the Group with advice on tax, corporate finance, and pensions matters, and acted on a consultancy basis to provide internal audit support under separate engagement terms.

The Committee has formally reviewed the work undertaken by Deloitte for the Committee and elsewhere in the Company and is satisfied that the advice they have received has been objective and independent.

Following a review Deloitte stepped down as adviser and FIT Remuneration Consultants were appointed from 28 November 2014. FIT have any other connection with the Company.

Governance

Annual Remuneration Report continued

Shareholder voting

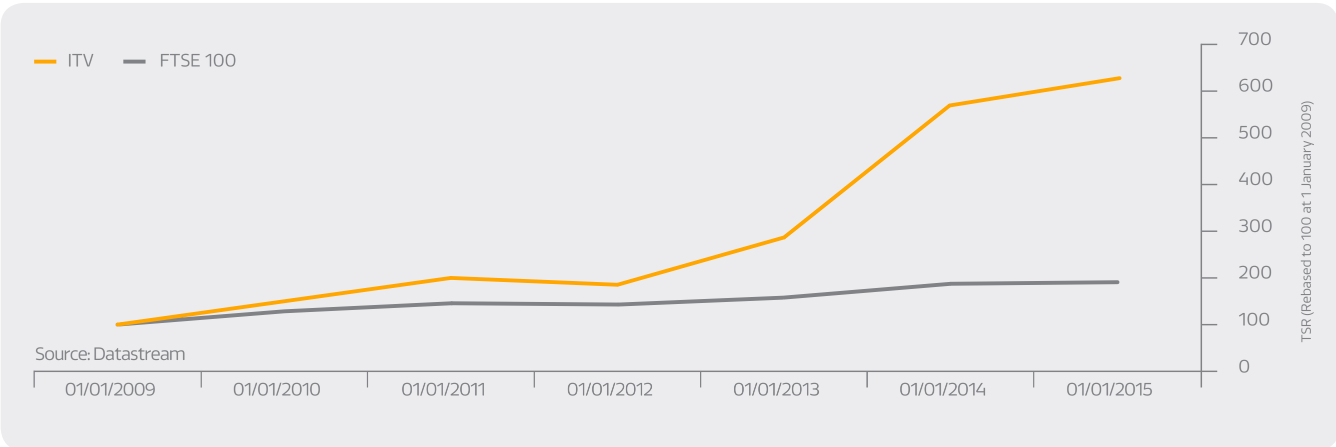
At the AGM held on 15 May 2014, votes cast by proxy and at the meeting in respect of the Executive Directors' remuneration were as follows:

	Voting for		Voting against			
Resolution	**Number of shares**	**%**	**Number of shares**	**%**	**Total votes cast**	**Votes withheld**
Remuneration Policy	2,272,594,109	96.04	93,825,641	3.96	2,366,419,750	366,266,825
Annual Remuneration Report	2,029,807,767	77.48	589,837,862	22.52	2,619,645,629	113,040,089
Long Term Incentive Plan	2,530,024,205	95.11	130,060,452	4.89	2,660,084,657	72,604,427

The Company recognises that a number of shareholders did not support the Annual Remuneration Report and understands that the main reason for this was the Company making increases to a number of remuneration elements (base salary, long-term incentives and pension) in the same year. Further information can be found in the Chairman's letter on page 82.

Historic performance

The graph below shows the TSR performance of the Company against the FTSE 100 index over the six year period to 31 December 2014.



Chief Executive remuneration

The table below provides a summary of the total remuneration received by the Chief Executive over the last six years, including details of the annual bonus payout and long term incentive award vesting level in each year.

		Total remuneration £000	Bonus % of maximum	Long-term Incentive award vesting % of maximum
2014	Adam Crozier	4,427	94	75
2013	Adam Crozier	8,399	93	87
2012	Adam Crozier	2,915	91	12
2011	Adam Crozier	2,158	88	–
2010	Adam Crozier (for the 8 month period served)	1,350	95	–
2010	John Cresswell (for the 4 month period served)	661	83	–
2009	Michael Grade	2,583	94	–

The long term incentive award vesting percentage relates to the proportion of the award that met performance conditions in the relevant financial year.

The table below provides details of the percentage change in the base salary, benefits and bonus of the Chief Executive between 31 December 2013 and 31 December 2014 compared to the average percentage change for other employees.

	Notes	% change in base salary	% change in benefits	% change in bonus payment
Chief Executive	1	7.05	(2.37)	8%
All employees	2, 3	5.16	0.24	3.34%

1. Benefits include the cost of medical insurance and car-related benefits. The level of benefits remains the same as for 2013. The percentage decrease in benefits received by the Chief Executive is due to a minor decrease in both the cost of private healthcare and car related costs.
2. As the majority of employees are based in the UK, overseas employees have not been included.
3. The percentage change in benefits is the average change for all employees (excluding the Chief Executive) with any of the same benefits as the Chief Executive.

Spend on pay

The table below shows pay for all employees compared to other key financial indicators.

	Notes	**2014 £m**	2013 £m	% Change
Employee pay	1	**239**	235	1.6
Ordinary dividend		**152**	115	32
Special dividend		**160**	157	2
Employee headcount	2	**5,536**	5,480	0.01

1. Employee pay is the total remuneration paid to all UK PAYE employees through the main UK payroll. This is shown on a different basis to last year's report where employee pay consisted of base salary only.
2. Employee headcount is the average number of UK PAYE employees who were paid through the main UK payroll.

Remuneration Policy in 2015

The following provides details of how the Remuneration Policy will be implemented in 2015.

Executive Directors

Salary

Executive Directors' base salaries were increased with effect from 1 January 2015 as follows.

	1 January 2015 £000	1 January 2014 £000	% Change
Adam Crozier	**918**	900	2%
Ian Griffiths	**561**	550	2%

In line with the Remuneration Policy, salary increases for Executive Directors followed those of the wider employee population.

Taxable benefits and pension

These will be provided in line with the Remuneration Policy.

Bonus (cash and shares)

Awards will continue to be made in line with the Remuneration Policy, with annual incentives paid to Executive Directors through the bonus with two thirds in cash, and one third deferred into shares under the DSA. The proposed performance measures for awards are detailed below and remain unchanged from 2014. The Board considers the actual targets for 2015 to be commercially sensitive at this time.

Performance measure	**Strategic target**	**Weightings**
ITV plc EBITA (before exceptional items)	1 2 3	45%
Profit to cash conversion	1 2 3	10%
Cost savings	3	5%
Individual targets	1 2 3	40%

Governance

Annual Remuneration Report continued

Share awards

Awards will continue to be made under the LTIP in line with the Remuneration Policy. The proposed performance measures and targets for awards to be made in 2015 are detailed below.

Under the LTIP rules, the maximum annual award that can be granted in any financial year is 350% of salary. This is to allow the Committee flexibility when recruiting Executives and to ensure the longevity of the plan. There is currently no intention to grant awards at this level. Awards in 2015 will be made to the Executive Directors with a value of 225% of salary, at the same level as awarded in 2014 and in line with the operational maximum set out in our Remuneration Policy.

In order to ensure that Executive Directors are only rewarded if value is delivered to shareholders, awards will be subject to an initial cumulative adjusted EPS performance gateway equal to that required for threshold performance (45.7p). If this gateway is achieved, performance will then be assessed by reference to the conditions set out below.

Performance measure	Strategic target	Weightings	Threshold	Maximum
Cumulative adjusted EPS	1 2 3	50%	45.7p	52.2p
Family SOV	1	20%	22%	22.44%
Total Non-NAR	1 2 3	10%	5% growth pa	10% growth pa
International Production revenue	2	10%	5% growth pa	15% growth pa
Online, Pay & Interactive revenue	1 3	10%	5% growth pa	18% growth pa

Threshold vesting for all targets is 20%. Vesting between threshold and maximum (100%) is on a straight-line basis.

Threshold for Family SOV is maintaining 2014 actual with 2% growth required for maximum payout. When assessing performance against this target, the Committee will also have regard to the health of the main ITV channel.

Holding periods for any shares that vest are being phased in so that for awards made in 2015, 50% will be subject to a one-year holding period, and 50% to a two year holding period. Increased share retention requirements under the shareholding guidelines were introduced in 2013 and further information can be found on page 93.

Malus and Clawback

In order to take account of current best practice and the guidance in the Code, the Committee has decided to update the provisions on malus and clawback so that:

- it applies to the cash as well as the deferred element of the annual bonus; and
- a clear time horizon is in place over which the provisions will operate.

Malus and clawback provisions may be operated at the discretion of the Committee in respect of any cash and deferred share elements of the bonus and awards made under LTIPs that were granted following the introduction/amendment of these clauses. Under malus, unvested share awards (including any LTIP shares subject to a post vesting holding period) can be reduced (down to zero if considered appropriate) or be made subject to additional conditions. Clawback allows for repayment of bonuses previously paid and/or shares previously received following vesting. Malus/clawback can be operated up to four years following the start of the relevant bonus year for bonuses, and up to six years from the relevant date of grant for LTIP awards. The circumstances in which the operation of these provisions may be considered include material misstatement of results, gross misconduct or fraud.

Non-executive Directors

Non-executive Director fees were increased with effect from 1 January 2015 as set out below.

	1 January 2015 £000	1 January 2014 £000	% Change
Chairman (all-inclusive fee)	**500,000**	500,000	–
Board fee	**63,468**	62,224	2%
Additional fees for:			
Senior Independent Director	**25,000**	25,000	–
Audit Committee Chairman	**20,000**	20,000	–
Audit Committee member	**5,240**	5,137	2%
Remuneration Committee Chairman	**20,000**	20,000	–
Remuneration Committee member	**5,240**	5,137	2%

Details of Committee membership can be found in the Governance section on page 70.

Directors' share interests

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors being shareholders so as to align their interests with other shareholders. Shareholding guidelines are in place, which encourage Executive Directors to build up a holding of ITV plc shares based on a percentage of base salary. 50% of the requirement must be obtained within three years of appointment and the remainder within five years.

	% of salary required under shareholding guidelines	**% of salary held at 31 December 2014**
Adam Crozier	400	**558**
Ian Griffiths	200	**709**

Other members of the Management Board are required to hold between 50% and 100% of their salary in shares.

Interests in shares

The figures set out below represent shareholdings in the ordinary share capital of ITV plc beneficially owned by Directors and their family interests at 31 December 2014.

	31 December 2014	31 December 2013
Peter Bazalgette	**8,657**	1,249
Adam Crozier	**1,699,910**	1,633,488
Roger Faxon	**11,145**	4,953
Ian Griffiths	**1,511,922**	1,511,922
Mary Harris (appointed 28 July 2014)	**1,841**	–
Andy Haste	**99,431**	87,085
Archie Norman	**1,297,498**	1,221,432
John Ormerod	**145,471**	134,627

There were no changes in Directors' interests in shares between the end of the financial year and 4 March 2015.

Governance

Annual Remuneration Report continued

Executive Directors' non-executive directorships

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

During the year the Executive Directors retained fees for the directorships set out below.

	Company	2014 £000
Adam Crozier	G4S plc	**58**
Ian Griffiths (appointed 23 June 2014)	D S Smith plc	**28**

Service contracts and loss of office

Executive Directors

Executive Directors have rolling service contracts that provide for 12 months notice on either side. There are no special provisions that apply in the event of a change of control.

	Date of Appointment	Nature of contract	Notice period from Company	Notice period from Director	Compensation provisions for early termination
Adam Crozier	26 April 2010	Rolling	12 months	12 months	None
Ian Griffiths	9 September 2008	Rolling	12 months	12 months	None

A payment in lieu of notice, including base salary, contractual benefits and contractual provision for an income in retirement, may be made if:

- the Company terminates the employment of the Executive Director with immediate effect, or without due notice; or
- termination is agreed by mutual consent.

The Company may also make a payment in respect of outplacement costs, legal fees and the cost of any settlement agreement where appropriate.

With the exception of termination for cause or resignation, Executive Directors will be eligible for a bonus award prorated to reflect the proportion of the financial year for which they were employed and subject to performance achieved, provided they have a minimum of three months service in the bonus year.

Non-executive Directors

Each Non-executive Director, including the Chairman, has a contract of service with the Company. Non-executive Directors will serve for an initial term of three years, subject to election and annual re-election by shareholders, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice (12 months for the current Chairman). After the initial three year term reappointment is on an annual basis.

The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Outstanding interests under share schemes

The following tables provide details of Directors' interests in outstanding share awards.

	Notes	At 1 January 2014	Awarded in year	Vested in year	Exercised in year	Lapsed in year	**At 31 December 2014**	Share price used for award (pence)	Share price at date of vesting (pence)	Date of release/ exercise in year
Adam Crozier										
DSA										
28 March 2014	a, 4	–	240,534	–	–	–	**240,534**	194.5		
28 March 2013	a	346,228	–	–	–	–	**346,228**	129.5		
28 March 2012	a	477,112	–	–	–	–	**477,112**	88.6		
28 March 2012	b	238,557	–	–	–	–	**238,557**	88.6		
08 March 2011	a	276,314	–	276,314	276,314	–	**–**	91.4	197.2	10.3.14
08 March 2011	b	276,314	–	276,314	276,314	–	**–**	91.4	197.2	10.3.14
LTIP										
30 May 2014		–	1,103,543	–	–	–	**1,103,543**	183.5		
PSP										
1 March 2013	c	624,647	–	–	–	–	**624,647**	121.1		
1 March 2012	c, 5	899,347	–	–	–	–	**899,347**	81.8		
28 March 2012	d, 5	238,557	–	–	–	–	**238,557**	88.6		
8 March 2011	c, 6	786,196	–	778,806	778,806	7,390	**–**	91.4	197.2	10.3.14
8 March 2011	d, 6	276,314	–	273,717	273,717	3,597	**–**	91.4	197.2	10.3.14
Ian Griffiths										
DSA										
28 March 2014	a, 4	–	122,269	–	–	–	**122,269**	194.5		
28 March 2013	a	175,891	–	–	–	–	**175,891**	129.5		
28 March 2012	a	234,406	–	–	–	–	**234,406**	88.6		
28 March 2012	b	117,204	–	–	–	–	**117,204**	88.6		
08 March 2011	a	203,478	–	203,478	203,478	–	**–**	91.4	197.2	10.3.14
08 March 2011	b	203,478	–	203,478	203,478	–	**–**	91.4	197.2	10.3.14
LTIP										
30 May 2014	–	–	674,387	–	–	–	**674,387**	183.5		
PSP										
1 March 2013	a	342,549	–	–	–	–	**342,549**	121.1		
1 March 2012	a, 5	493,192	–	–	–	–	**493,192**	81.8		
28 March 2012	b, 5	117,204	–	–	–	–	**117,204**	88.6		
8 March 2011	a, 6	431,140	–	427,088	427,088	4,052	**–**	91.4	197.2	10.3.14
8 March 2011	b, 6	203,478	–	201,566	201,566	1,912	**–**	91.4	197.2	10.3.14

1. No awards are outstanding that have vested but not been exercised.
2. There are no performance conditions attaching to the DSA.
3. Performance conditions that apply to the outstanding awards under the PSP and LTIP are set out in the table below.

				2012 PSP		2013 PSP				2014 LTIP	
Strategic Target		**Weighting**	**Threshold Vesting**	**Threshold**	**Maximum**	**Threshold**	**Maximum**	**Weightings**	**Threshold Vesting**	**Threshold**	**Maximum**
Gateway	1		26.15p	30.4p	37.1p						
Cumulative adjusted EPS	1	50%	30%	26.15p	28.76p	30.4p	33.4p	50%	20%	37.1p	42.3p
Family SOV	2	25%	50%	Maintain at 2011 levels (platform adjusted)	+2%	23%	+2%	20%	20%	23.05%	23.51%
Annual non-NAR growth	3 4	25%	30%	5%	10%	5%	10%	10%	20%	5%	10%
International Production revenue	4							10%	20%	5%	15%
Online, Pay and Interactive Revenue	3							10%	20%	5%	18%
				Cumulative adjusted EPS years 2012 to 2014		Cumulative adjusted EPS years 2013 to 2015				Cumulative adjusted EPS years 2014 to 2016	

Vesting between threshold and maximum (100%) on a straight-line basis for all targets apart from SOV, which is measured on a proportionate basis for 2012 and 2013 PSP awards

4. DSA awards made in 2014 for 2013 performance are included in the Bonus (cash and shares) column for 2013 in the remuneration table on page 85.
5. PSP performance conditions were met in 2014 (75%) and will become exercisable on 28 March 2015. The indicative value at 31 December 2014 is included in the remuneration table on page 85 and is described on page 87.
6. PSP performance conditions were met in 2013 (99.06%) and the value is included in the remuneration table on page 85.

a – Compulsory deferral, b – Voluntary deferral, c – Core Award, d – Matching Award

Governance

Remuneration Policy

The Company's policy on remuneration for Executive and Non-executive Directors was approved by shareholders at the AGM on 14 May 2014 for a 3-year period. The full policy can be found on our website:

www.itvplc.com/governance

The table below contains the principal elements of the remuneration packages for the Executive Directors.

Fixed elements	Purpose and link to strategy	Operation	Maximum potential payment	Performance metrics
Base salary	Reflects the individual's skills, responsibilities and experience. Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.	Reviewed annually and paid monthly in cash. Consideration is typically given to a range of factors when determining salary levels, including: • Personal and Company-wide performance. • Typical pay levels in relevant markets for each Executive whilst recognising the need for an appropriate premium to attract and retain superior talent, balanced against the need to provide a cost-effective overall remuneration package. • The wider employee pay review.	There is no maximum salary increase. However, ordinarily salary increases will be in line with the average increase awarded to other employees in the Company. Increases may be made above this level to take account of individual circumstances, which may include: • Increase in size or scope of the role or responsibility. • Increase to reflect the individual's development and performance in role.	None, although overall individual and business performance is considered when setting and reviewing salaries.
Provision for an income in retirement	To provide competitive post-retirement benefits or cash allowance as a framework to save for retirement. Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.	Executives can choose to participate in the ITV defined contribution scheme, receive a cash allowance or receive payments into a personal pension or a combination thereof. Contributions are set as a percentage of base salary. Post-retirement benefits do not form part of the base salary for the purposes of determining incentives.	The maximum contributions or cash allowances for the Executive Directors are 25% of base salary.	None
Benefits	Ensures the overall package is competitive and provides financial protection for employees and their families.	The Company provides a range of market competitive benefits including travel-related benefits, private medical insurance and other insurance benefits. Additional benefits may also be provided in certain circumstances, if required for business need. For example (but not limited to), relocation expenses, housing allowance and education support.	Set at a level which the Committee considers to be appropriately positioned taking into account typical market levels for comparable roles, individual circumstances and the overall cost to the business.	None

Variable elements	Purpose and link to strategy	Operation	Maximum potential payment	Performance metrics
Annual Bonus Scheme (Bonus) and Deferred Share Award Plan (DSA)	Incentivises Executives and colleagues to achieve key strategic outcomes on an annual basis. Focus on key financial metrics and objectives to deliver the business strategy. The element compulsorily deferred into shares rewards delivery of sustained long-term performance, provides alignment with the shareholder experience and supports the retention of executives.	Measures and targets are set annually based on business plans at the start of the financial year and pay-out levels are determined by the Committee following the year-end based on performance against objectives. Paid once the results have been audited. Annual bonus calculations that are based on the financial results for the year are audited by Internal Audit and reviewed by the Audit Committee before consideration by the Committee. The Committee has the discretion to amend the bonus pay-out should any formulaic assessment of performance not reflect a balanced view of overall business performance for the year. Two-thirds of the bonus is delivered in cash and one-third is deferred into shares under the DSA for a period of three years. During the deferral period share awards may be reduced or cancelled in certain circumstances. Further detail is provided on our website www.itvplc.com/governance. Dividends are paid to participants on the deferred shares during the deferral period.	The maximum bonus opportunity for any Executive Director will not exceed 200% of salary. The current bonus opportunities are 180% of salary for Adam Crozier and 165% of salary for Ian Griffiths. Increases above the current opportunities, up to the maximum limit, may be made to take account of individual circumstances, which may include: • Increase in size or scope of the role or responsibility. • Increase to reflect the individual's development and performance in their role.	Performance measures and targets are set by the Committee each year based on corporate objectives closely linked to the strategic priorities and individual contributions. The majority of the bonus opportunity will be based on the corporate and financial measures. The remainder of the bonus will be based on performance against individual objectives. Up to 20% of the maximum opportunity will be received for threshold performance.

Governance

Remuneration Policy continued

Variable elements	Purpose and link to strategy	Operation	Maximum potential payment	Performance metrics
New LTIP	Incentivises Executives to deliver performance which is aligned to the business strategy over the longer term and the creation of shareholder value. Acts as a retention tool to retain the Executives required to deliver the business strategy.	Awards are made annually with vesting dependent on business performance during the performance period. The performance period will be three years, other than in exceptional circumstances. The Committee has discretion to amend the final vesting level should any formulaic assessment of performance not reflect a balanced view of the business performance during the performance period. Awards will be required to be held for an additional period of two years after the end of the performance period. This is called the holding period and will be phased in during 2014 and 2015. Dividends are earned on deferred shares during the holding period. During the holding period awards may be reduced or cancelled in certain circumstances. Further detail is provided on our website www.itvplc.com/governance.	Our current operational policy is to make awards of 225% of salary each year. Under the new LTIP rules, the maximum annual award that may be granted in any financial year is 350% of salary. The Committee would consult with shareholders if it was considering increasing awards above the current operational policy.	Performance is measured against corporate targets closely linked to the Company's financial and strategic priorities. Performance metrics are: • Adjusted EPS • Non-NAR and its components • Viewing performance LTIP awards will vest based on financial performance. A gateway condition must be achieved before any portion of the award vests. Each performance metric will operate independently. The performance range will be determined for each metric. The proportion of each element of the award that will vest for threshold performance against a metric will be 20%.
SAYE	Provides all employees, including Executive Directors, the opportunity to voluntarily invest in Company shares.	Executive Directors are entitled to participate in the plan on the same basis as other employees.	Participation limits are as per the rules of the plan and in accordance with HMRC limits.	None

The table below summarises the main elements of remuneration for Non-executive Directors:

Component	Approach of the Company
Chairman fees	The Committee determines the fees of the Chairman and sets the fees at a level that is considered to be appropriate, taking into account the size and complexity of the business and the expected time commitment and contribution of the role. The fee is a fixed annual fee of which 25% (40% for the current Chairman), after statutory deductions, is used to acquire shares in the Company. The shares are purchased quarterly and held by a nominee until retirement from the Board.
Non-executive fees	The Board determines the fees of the Non-executive Directors and sets the fees at a level that is considered to be appropriate, taking into account the size and complexity of the business and the expected time commitment and contribution of the role. Fees are structured as a basic fee with additional fees payable for membership and/or chairmanship of a committee or other additional responsibilities. The Non-executive Directors are required to use 25% of their annual fees, after statutory deductions, to acquire shares in the Company. The shares are purchased quarterly and held by a nominee on their behalf until they retire from the Board.
Benefits	Additional benefits may also be provided in certain circumstances, if required for business purposes.

Pictured:
Ant & Dec's Saturday Night Takeaway was back for its 11th series in 2014, averaging 7.6 million viewers across the series, a 30% share. A version of the show, produced by ITV Studios America, has been commissioned by NBC in the US for later in 2015.

Financial Statements

Financial Statements

Independent Auditor's Report to the Members of ITV plc Only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of ITV plc for the year ended 31 December 2014 set out on pages 107 to 165. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

The Audit Committee's consideration of these significant risks is set out in the Audit Committee Report on page 75.

The risk	Our response
Revenue recognition and contractual arrangements (see note 2.1) The Group's revenue consists primarily of advertising, programme production and programme rights.	
Net Advertising Revenue (NAR) (£1,629 million) The majority of ITV's advertising revenue (NAR) is subject to regulation under Ofcom's Contract Rights Renewal system (CRR). CRR works by ensuring that the annual share of television advertising that will be placed with ITV by each advertising agency can change in relation to the viewing figures for commercial television that it delivers. The CRR system, the pricing of the annual contractual arrangements with advertising agencies and the details of each advertising campaign, together with the related processes and controls, are complex and involve estimation. In particular, the pricing mechanism means it is possible for a difference to arise between the price received by ITV for an advertising campaign and the value it delivered, mainly as a result of the actual viewing figures being different from the agreed level. Where the Group has over-delivered viewers this is referred to as a 'deal credit', or a 'deal debt' where delivery has fallen short. Rather than the price paid for that campaign being adjusted, these differences are noted for each agency and then taken account of when agreeing either future campaigns or the annual contract. A net deal debt position with an agency is recorded in ITV's accounts, as a liability. Net deal credit positions are not recognised. NAR is therefore considered a significant risk due to: • The number and complexity of contractual agreements with advertising agencies; • The complexity of the systems and processes of control used to record revenue; and, • The level of estimation involved in determining the deal debt liability at the period end.	Our audit procedures included: • Testing of controls, assisted by our own IT specialists, including those over: input of individual campaigns' terms and pricing; comparison of those terms and pricing data against the related overarching contracts with advertising agencies; linkage to transmission/viewer data; and segregation of duties; • Testing management's review controls over: contract approval; periodic deal reconciliations; and the deal debt adjustment; • Analysis of revenue based on our industry knowledge and external market data, following up variances; and • Challenging the year-end deal debt adjustment based on comparison with customers' correspondence and agreed terms of business. • We also assessed the adequacy of the group's disclosures in respect of the accounting policies on revenue recognition set out in note 2.1.

The risk	Our response
Other revenue streams (Non-NAR revenue) (£961 million) Non-NAR revenue includes revenue from: programme production; the sale of programme rights, transmission supply arrangements; and the Online, Pay & Interactive division within the Broadcast segment. Recognition of non-NAR revenue is driven by the specific terms of the related contracts. It is considered to be a risk as the contracts can be complex and the terms are varied, with the result that accounting for the revenue generated in any given period can require individual consideration.	Our audit procedures included testing of controls over the timing of revenue recognition, and the accounting for new contractual arrangements. We considered the revenue policies against the relevant accounting standards. For the larger contracts entered into during the year, and for a statistical sample of all contracts, we tested whether revenue had been recognised in accordance with the contractual terms, given the requirements of the relevant accounting standard.
Acquisition of Leftfield Entertainment (initial consideration £214 million and goodwill arising £139 million (see notes 3.3 and 3.4)	
During the year, ITV acquired 80% of Leftfield Entertainment. Acquisition accounting is considered a significant risk as a result of the following factors: The Group is required to make a number of judgements, which focus on, but are not limited to: assessment of whether the performance related consideration arrangements are acquisition consideration or post-acquisition remuneration, and identification of intangible assets acquired. In determining the fair value of the acquired intangible assets and the contingent consideration and remuneration payable, medium term cash flow forecasts have been prepared by ITV. The inherent uncertainty involved in forecasting future cash flows and the judgement involved in the selection of the appropriate discount rate makes this a key area of focus. ITV is also required to exercise judgement in allocating, for the purpose of annual impairment testing, the goodwill arising to the cash generating units expected to benefit from the acquisition.	Our audit procedures included: Inspecting the terms of the acquisition contracts to determine our view of the appropriate accounting treatment of performance related consideration arrangements against the criteria of the relevant accounting standards. Using our own valuation specialists to assist us in: critically assessing both the appropriateness of the identified intangibles, against the criteria of the relevant accounting standards, and the appropriateness of the discount rates; and comparing the inputs used in determining the discount rate to externally derived data. Testing the principles and integrity of the Group's cash flow model. We compared the Group's forecast revenue growth and margins assumptions to externally derived data as well as our own assessments in relation to key inputs, such as the likelihood of both shows being recommissioned and new commissions. Critically assessing the Group's determination of cash-generating units expected to benefit from the acquisition against the criteria in the relevant accounting standards. We inspected Board minutes and monthly internal reporting to corroborate the Group's assessment of the separability of cash flows and assets. We also considered the adequacy of the Group's disclosures in respect of the acquisition and the related judgements in note 3.4.

Financial Statements

Independent Auditor's Report to the Members of ITV plc Only continued

The risk	Our response
Defined benefit pension schemes (£346 million, see note 3.7)	
Significant estimates are made in valuing the Group's post-retirement defined benefit schemes. The key valuation assumptions are set out in note 3.7 in the 'Assumptions' section. When making these assumptions the Group takes independent actuarial advice relating to their appropriateness. The valuation is considered to be a significant risk as, given the quantum of the scheme assets and scheme liabilities, small changes in the assumptions can have a material financial impact on the Group.	In this area our audit procedures included challenging the key assumptions applied in determining the Group's net deficit, being the discount rate, inflation rate and mortality/life expectancy, with the support of our own actuarial specialists. This included a comparison of these key assumptions against externally derived data. We obtained third party confirmation of the pension schemes assets as at 31 December 2014. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficits to these assumptions in note 3.7.
Royalty accruals (£70 million, see note 3.1.5)	
The Group pays royalties directly to artists / producers for all content used. The contractual terms of these agreements are varied and complex. The related IT systems can only address part of the processing, necessitating a significant manual element in calculating royalty accruals recorded by the Group. Overall the process is complex, though core to the Group's operations. The volume and variety of contracts being interpreted and accounted for combined with the manual nature of the process increases the risk of error.	Among other procedures, we tested controls over the recording of royalty costs and the approval of royalty payments. We also reperformed a sample of the Group's annual royalty calculations, agreeing key inputs to contracts and the underlying system data. In addition, we performed analytical procedures comparing royalty costs as a percentage of the related income streams to budgets and prior periods, taking account of any known changes.

3 Our application of materiality and an overview of the scope of our audit
The materiality for the Group financial statements as a whole was set at £25 million, determined with reference to a benchmark of Group profit before tax, of which it represents 4.1%.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group's principal operations are in the United Kingdom and represent over 90% of Group revenue, 97% Group profit before tax and 94% of Group total assets. Only the UK operations are scoped in for Group audit purposes. The Group audit team performed the audit of the UK operations as if they were a single aggregated set of financial information using materiality of £23 million.

Although not in scope for Group reporting purposes, in agreement with the Audit Committee, specified audit procedures were also performed on two entities in the US by component auditors simultaneously with the audit of the Group and UK operations. Together the above audit and these specified audit procedures covered 96% of total Group revenue, 99% of Group profit before taxation; and 99% of total Group assets.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion:

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

5 We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- Under the Listing Rules we are required to review:
- the Directors' statement, set out on page 66, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 68 to 74 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Mark Summerfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
4 March 2015

Financial Statements

Introduction and Table of Contents

In this section . . .

The financial statements have been presented in a style which attempts to make them less complex and more relevant to shareholders. We have grouped the note disclosures into five sections: 'Basis of Preparation', 'Results for the Year', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs' and 'Other Notes'. Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used. The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Group. The aim of the text in boxes is to provide commentary on each section, or note, in plain English.

Keeping it simple . . .

Notes to the financial statements provide information required by statute, accounting standards or Listing Rules to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the Annual Report and the financial statements.

Contents

Consolidated Income Statement

For the year ended 31 December	Note	2014 £m	2013 £m
Revenue	2.1	**2,590**	2,389
Operating costs		**(1,939)**	(1,843)
Operating profit		**651**	546
Presented as:			
Earnings before interest, tax, amortisation (EBITA) before exceptional items	2.1	**730**	620
Operating exceptional items	2.2	**(12)**	(8)
Amortisation of intangible assets	3.3	**(67)**	(66)
Operating profit		**651**	546
Financing income	4.4	**22**	10
Financing costs	4.4	**(73)**	(125)
Net financing costs	4.4	**(51)**	(115)
Share of losses of joint ventures and associated undertakings	2.1	**–**	(2)
Gain on sale of non-current assets (exceptional items)	2.2	**4**	–
Gain on sale of subsidiaries and investments (exceptional items)	2.2	**1**	6
Profit before tax		**605**	435
Taxation	2.3	**(132)**	(105)
Profit for the year		**473**	330
Profit attributable to:			
Owners of the Company		**466**	326
Non-controlling interests		**7**	4
Profit for the year		**473**	330
Earnings per share			
Basic earnings per share	2.4	**11.6p**	8.3p
Diluted earnings per share	2.4	**11.5p**	8.1p

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Note	2014 £m	2013 £m
Profit for the year		**473**	330
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Revaluation of available for sale financial assets	4.6.4	**3**	(3)
Net loss on cash flow hedges	4.3/ 4.6.3	**(4)**	–
Exchange differences on translation of foreign operations	4.6.3	**22**	(6)
Items that will never be reclassified to profit or loss			
Remeasurement gains on defined benefit pension schemes	3.7	**24**	48
Income tax charge on items that will never be reclassified	2.3	**(3)**	(13)
Other comprehensive income/(cost) for the year, net of income tax		**21**	26
Total comprehensive income for the year		**515**	356
Total comprehensive income attributable to:			
Owners of the Company		**508**	352
Non-controlling interests		**7**	4
Total comprehensive income for the year		**515**	356

Consolidated Statement of Financial Position

As at 31 December	Note	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment	3.2	**248**	259
Intangible assets	3.3	**1,129**	954
Investments in joint ventures, associates and equity investments	3.5	**14**	4
Derivative financial instruments	4.3	**16**	41
Distribution rights	3.1.1	**13**	10
Net deferred tax asset	2.3	**43**	52
		1,463	1,320
Current assets			
Programme rights and other inventory	3.1.2	**367**	322
Trade and other receivables due within one year	3.1.4	**385**	388
Trade and other receivables due after more than one year	3.1.4	**24**	14
Trade and other receivables		**409**	402
Derivative financial instruments	4.3	**11**	32
Cash and cash equivalents	4.1	**297**	518
		1,084	1,274
Current liabilities			
Borrowings	4.2	**(85)**	(62)
Derivative financial instruments	4.3	**(12)**	(6)
Trade and other payables due within one year	3.1.5	**(699)**	(702)
Trade payables due after more than one year	3.1.6	**(27)**	(42)
Trade and other payables		**(726)**	(744)
Current tax liabilities		**(72)**	(36)
Provisions	3.6	**(17)**	(19)
		(912)	(867)
Net current assets		**172**	407
Non-current liabilities			
Borrowings	4.2	**(171)**	(318)
Derivative financial instruments	4.3	**(12)**	(27)
Defined benefit pension deficit	3.7	**(346)**	(445)
Other payables		**(38)**	(40)
Provisions	3.6	**(4)**	(8)
		(571)	(838)
Net assets		**1,064**	889
Attributable to equity shareholders of the parent company			
Share capital	4.6.1	**403**	403
Share premium	4.6.1	**174**	174
Merger and other reserves	4.6.2	**228**	248
Translation reserve		**25**	7
Available for sale reserve		**7**	4
Retained earnings		**177**	22
Total equity attributable to equity shareholders of the parent company		**1,014**	858
Non-controlling interests		**50**	31
Total equity		**1,064**	889

The accounts were approved by the Board of Directors on 4 March 2015 and were signed on its behalf by:

Ian Griffiths
Group Finance Director

Financial Statements

Consolidated Statement of Changes in Equity

		Attributable to equity shareholders of the parent company								
					Items that may be reclassified to profit or loss					
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2014		**403**	**174**	**248**	**7**	**4**	**22**	**858**	**31**	**889**
Total comprehensive income for the year										
Profit		**–**	**–**	**–**	**–**	**–**	**466**	**466**	**7**	**473**
Other comprehensive income/(cost)										
Revaluation of available for sale financial assets		**–**	**–**	**–**	**–**	**3**	**–**	**3**	**–**	**3**
Net loss on cash flow hedges		**–**	**–**	**–**	**(4)**	**–**	**–**	**(4)**	**–**	**(4)**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**22**	**–**	**–**	**22**	**–**	**22**
Remeasurement gains on defined benefit pension schemes	3.7	**–**	**–**	**–**	**–**	**–**	**24**	**24**	**–**	**24**
Income tax charge on other comprehensive income	2.3	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**	**–**	**(3)**
Total other comprehensive income		**–**	**–**	**–**	**18**	**3**	**21**	**42**	**–**	**42**
Total comprehensive income for the year		**–**	**–**	**–**	**18**	**3**	**487**	**508**	**7**	**515**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		**–**	**–**	**–**	**–**	**–**	**(313)**	**(313)**	**(8)**	**(321)**
Movements due to share-based compensation	4.7	**–**	**–**	**–**	**–**	**–**	**14**	**14**	**–**	**14**
Purchase of own shares via employees' benefit trust	4.7	**–**	**–**	**–**	**–**	**–**	**(33)**	**(33)**	**–**	**(33)**
Total contributions by and distributions to owners		**–**	**–**	**–**	**–**	**–**	**(332)**	**(332)**	**(8)**	**(340)**
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**(332)**	**(332)**	**(8)**	**(340)**
Changes in non-controlling interests[(a)]	3.4	**–**	**–**	**(20)**	**–**	**–**	**–**	**(20)**	**20**	**–**
Balance at 31 December 2014	4.6	**403**	**174**	**228**	**25**	**7**	**177**	**1,014**	**50**	**1,064**

(a) Movements reported in merger and other reserves include a put option for the acquisition of non-controlling interests.

Consolidated Statement of Changes in Equity

		Attributable to equity shareholders of the parent company								
					Items that may be reclassified to profit or loss					
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained earnings (restated) £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2013		**391**	**122**	**283**	**13**	**7**	**1**	**817**	**15**	**832**
Total comprehensive income for the year										
Profit		–	–	–	–	–	326	326	4	**330**
Other comprehensive income/(cost)										
Revaluation of available for sale financial assets		–	–	–	–	(3)	–	(3)	–	**(3)**
Exchange differences on translation of foreign operations		–	–	–	(6)	–	–	(6)	–	**(6)**
Remeasurement losses on defined benefit pension schemes	3.7	–	–	–	–	–	48	48	–	**48**
Income tax on other comprehensive income	2.3	–	–	–	–	–	(13)	(13)	–	**(13)**
Total other comprehensive cost		–	–	–	(6)	(3)	35	26	–	**26**
Total comprehensive income for the year		**–**	**–**	**–**	**(6)**	**(3)**	**361**	**352**	**4**	**356**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(271)	(271)	(1)	**(272)**
Equity portion of the convertible bond	4.1	10	52	(22)	–	–	(70)	(30)	–	**(30)**
Movements due to share-based compensation	4.7	–	–	–	–	–	14	14	–	**14**
Purchase of own shares via employees' benefit trust	4.7	–	–	–	–	–	(13)	(13)	–	**(13)**
Issue of new shares	4.6.1	2	–	–	–	–	–	2	–	**2**
Total contributions by and distributions to owners		12	52	(22)	–	–	(340)	(298)	(1)	**(299)**
Total transactions with owners		**12**	**52**	**(22)**	**–**	**–**	**(340)**	**(298)**	**(1)**	**(299)**
Changes in non-controlling interests[(a)]	3.4	–	–	(13)	–	–	–	(13)	13	**–**
Balance at 31 December 2013	4.6	**403**	**174**	**248**	**7**	**4**	**22**	**858**	**31**	**889**

(a) Movements reported in merger and other reserves include a put option for the acquisition of non-controlling interests.

Financial Statements

Consolidated Statement of Cash Flows

For the year ended 31 December	Note	£m	2014 £m	£m	2013 £m
Cash flows from operating activities					
Cash generated from operations before exceptional items:	2.1		**702**		649
Cash flow relating to operating exceptional items:					
Net operating loss	2.2	**(10)**		(5)	
Increase/(decrease) in payables and provisions		**3**		(6)	
Cash outflow from exceptional items			**(7)**		(11)
Cash generated from operations			**695**		638
Defined benefit pension deficit funding		**(91)**		(80)	
Interest received		**41**		38	
Interest paid on bank and other loans		**(51)**		(60)	
Interest paid on finance leases		**(1)**		(2)	
Net taxation paid		**(85)**		(67)	
			(187)		(171)
Net cash inflow from operating activities			**508**		467
Cash flows from investing activities					
Redemption of gilts	4.1	**–**		165	
Acquisition of subsidiary undertakings	3.4	**(220)**		(66)	
Cash balances of subsidiaries acquired in period	3.4	**6**		10	
Proceeds from sale of property, plant and equipment		**15**		4	
Acquisition of property, plant and equipment		**(27)**		(101)	
Acquisition of intangible assets		**(10)**		(2)	
Acquisition of investments		**(7)**		–	
Loans granted to associates and joint ventures		**(3)**		(4)	
Proceeds from sale of subsidiaries, joint ventures and available for sale investments		**1**		8	
Net cash inflow/(outflow) from investing activities			**(245)**		14
Cash flows from financing activities					
Bank and other loans – amounts repaid		**(110)**		(365)	
Capital element of finance lease payments		**(21)**		(8)	
Issue of share capital		**–**		2	
Equity dividends paid		**(313)**		(271)	
Dividend paid to minority interest		**(8)**		(1)	
Purchase of own shares via employees' benefit trust		**(33)**		(13)	
Net cash outflow from financing activities			**(485)**		(656)
Net decrease in cash and cash equivalents			**(222)**		(175)
Cash and cash equivalents at 1 January	4.1		**518**		690
Effects of exchange rate changes and fair value movements			**1**		3
Cash and cash equivalents at 31 December	4.1		**297**		518

Notes to the Financial Statements Section 1: Basis of Preparation

In this section . . .

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also shows new EU endorsed accounting standards, amendments and interpretations, and whether they are effective in 2014 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

The financial statements consolidate those of ITV plc ('the Company') and its subsidiaries (together referred to as 'the Group') and include the Group's interests in associates and jointly controlled entities. The Company is domiciled in the United Kingdom.

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

The financial statements are principally prepared on the basis of historical cost. Where other bases are applied these are identified in the relevant accounting policy.

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

Going concern

As at the year end the Group was in a positive net cash position, and its continued generation of significant free cash flows has enabled further acquisitions and the payment of a special dividend. The Group has also sought to gain further efficiencies in the balance sheet by repurchasing debt where it is economically beneficial to do so, and has established flexible financing through new, longer term revolving credit facility arrangements (see section 4 for details on capital structure and financing).

The Group continues to review forecasts of the television advertising market to determine the impact on ITV's liquidity position. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current funding.

The Group also continues to focus on development of the non-advertising business, and evaluates the impact of further investment in acquisitions against the strategy and cash headroom of the business.

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

Subsidiaries, joint ventures, associates and special purpose entities

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

A joint venture is a joint arrangement in which the Group holds an interest under a contractual arrangement where the Group and one or more other parties undertake an economic activity that is subject to joint control. The Group accounts for its interests in joint ventures using the equity method. Under the equity method the investment in the entity is stated as one line item at cost plus the investor's share of retained post-acquisition profits and other changes in net assets.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of an entity. These investments are also accounted for using the equity method.

For investments where the Group has concluded it does not have significant influence, then the asset is held at cost in non-current assets.

Financial Statements

Section 1: Basis of Preparation continued

A special purpose entity ('SPE') is a legal entity which the Group may establish to fulfil a specific trading and investment purpose. Judgement is required when determining if an SPE should be consolidated and involves the evaluation of the substance of its relationships with the Group and the SPE's risks and rewards. Those SPEs controlled by the Group are established under terms that impose strict limitations on the decision-making powers of their management and that result in the Group receiving the majority of the benefits related to their operations and net assets, being exposed to the majority of risks incidental to their activities and receiving the majority of the residual or ownership risks related to the SPEs or their assets.

SPEs are used in limited circumstances by the Group. The only significant SPEs are the pension funding partnerships that were established in 2010 and March 2014 between the Group and the Trustee of the ITV Pension Scheme as a way of establishing payment streams to the pension scheme. The partnerships, both Scottish Limited Partnerships, are controlled and consolidated by the Group.

Current/non-current distinction

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

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

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with IAS 39 Financial Instruments:

- 'Loans and receivables' – separately disclosed as cash and cash equivalents (excluding gilts over which unfunded pension commitments have a charge) and trade and other receivables;
- 'Available for sale financial assets' – measured at fair value through other comprehensive income. Includes gilts over which unfunded pension commitments have a charge;
- 'Financial assets/liabilities at fair value through profit or loss' – separately disclosed as derivative financial instruments in assets/liabilities and included in non-current other payables (contingent consideration); and
- 'Financial liabilities measured at amortised cost' – separately disclosed as borrowings and trade and other payables.

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and derecognition of financial assets and liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits with a maturity of less than or equal to three months from the date of acquisition, cash held to meet certain finance lease commitments and gilts in respect of which a charging deed was executed on the unfunded pension commitments of four former Granada executives. The carrying value of cash and cash equivalents is considered to approximate fair value.

Foreign currencies

The primary economic environment in which the Group operates is the UK and therefore the consolidated financial statements are presented in pounds sterling ('£').

Where Group companies based in the UK transact in foreign currencies, these transactions are translated into pounds sterling at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into pounds sterling at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in the income statement.

Hedge accounting is implemented on certain foreign currency firm commitments, which allows for the effective portion of any foreign exchange gains or losses to be recognised in other comprehensive income (note 4.3).

Where a forward currency contract is used to manage foreign exchange risk and hedge accounting is not applied, any movement in currency is taken to the income statement.

Non-monetary assets and liabilities measured at historical cost are translated into pounds sterling at the exchange rate on the date of the transaction.

The assets and liabilities of Group companies outside of the UK are translated into pounds sterling at the year end exchange rate. The revenue and expenses of these companies are translated into pounds sterling at the average monthly exchange rate during the year. Where differences arise between these rates, they are recognised in the translation reserve within other comprehensive income.

Exchange differences arising on the translation of the Group's interests in joint ventures and associates are recognised in the translation reserve within other comprehensive income.

On disposal of a subsidiary outside the UK or an interest in a joint venture or an associate, the related translation reserve is released to the income statement as part of the gain or loss on disposal.

Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

- Revenue recognition (note 2.1)
- Classification of financial instruments (included in this note)
- Business combinations (note 3.3 and note 3.4)

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below and in more detail in the related notes:

- Defined benefit pension schemes, including the related longevity swap (note 3.7)
- Taxation (note 2.3)
- Provisions (note 3.6)
- Business combinations (note 3.4)
- Impairment of assets (note 3.2 and note 3.3)
- Financial instruments (note 4.1)

Financial Statements

Section 1: Basis of Preparation continued

New or amended EU endorsed accounting standards

The table below represents new or amended EU endorsed accounting standards relevant to the Group's results that are effective in 2014:

Accounting Standard	Requirement	Impact on financial statements
IAS 32 Financial Instruments	The amendments clarify the offsetting criteria, such as when an entity has a legal right to offset and when gross settlement is equivalent to net settlement.	The amendments have not had any impact on the net asset position of the Group.
IAS 36 Impairment of Assets	The amendments modify some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets.	The amendments have not had any impact on the assets currently held by the Group.
IAS 39 Financial Instruments: Recognition and Measurement	The amendments remove the need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.	The amendments have not had any impact on the hedging contracts held by the Group within the year.
IFRS 10	IFRS 10 replaces a portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.	A review of the Group's investments was carried out in the context of IFRS 10–12 in order to ensure that their classification and accounting treatment remains appropriate. There is no impact on the accounting treatment of investments currently held within the Group and appropriate disclosures have been made in notes 3.4 and 3.5 to the financial statements.
IFRS 11	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.	
IFRS 12	IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.	

The Directors also considered the impact on the Group of other new and revised accounting standards, interpretations or amendments on the Group that are currently endorsed but not yet effective. There are none that are effective for periods beginning on or after 1 January 2015 that are expected to have a significant impact on the Group's results.

Section 2: Results for the Year

In this section . . .

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, exceptional items, taxation and earnings per share.

Keeping it simple . . .

This section analyses the Group's profit before tax by reference to the activities performed by the Group and an analysis of key operating costs.

Earnings before interest, tax, amortisation (EBITA) and before exceptional items remains the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group. This section therefore also shows each division's contribution to total revenue and EBITA.

2.1 Profit before tax

Accounting policies

Revenue recognition

Revenue is stated exclusive of VAT and comprises the sale of products and services to third parties. Selecting the appropriate timing and amount of revenue recognised requires some judgement. Revenue from the sale of products is recognised when the Group has transferred both the significant risks and rewards of ownership and control of the products sold, and the amount of revenue can be measured reliably. Revenue recognition criteria for the Group's key classes of revenue are recognised on the following bases:

Applicable segment	Class of revenue	Recognition criteria
Broadcast & Online	Advertising (NAR), Video on Demand (VOD)	in month of transmission
Broadcast & Online	Sponsorship	across period of transmission of the sponsored programme or series
Broadcast & Online	Pay	an estimate is accrued in the month and trued up on receipt of third party reports showing revenue share calculation (showing subscribers or number of downloads)
Broadcast & Online	Participation (interactive & brand extensions)	as the service is provided or event occurs
Studios	Programme production	on delivery of episode and acceptance by the customer
Studios	Programme distribution rights	when the contract is signed and content is available for exploitation
Studios	Digital: Archive	on delivery of content (one-off) or over the contract period in a manner that reflects the flow of content delivered (top-up)

Financial Statements

Section 2: Results for the Year continued

The results for the year aggregate these classes of revenue into four significant categories:

	2014 £m	2013 £m
Broadcast & Online		
NAR	**1,629**	1,542
Non-NAR	**394**	354
ITV Studios		
Productions	**789**	722
Distribution	**144**	135
Total revenue	**2,956**	2,753

Segmental information

Operating segments, which have not been aggregated, are reported in a manner that is consistent with the internal reporting provided to the Board of Directors, regarded as the chief operating decision maker.

The Board of Directors considers the business primarily from a product or activity perspective. The reportable segments for the years ended 31 December 2014 and 31 December 2013 are therefore 'Broadcast & Online' and 'ITV Studios', the results of which are outlined in the following tables:

	Broadcast & Online 2014 £m	ITV Studios* 2014 £m	Consolidated 2014 £m
Total segment revenue	**2,023**	**933**	**2,956**
Intersegment revenue	**–**	**(366)**	**(366)**
Revenue from external customers	**2,023**	**567**	**2,590**
EBITA before exceptional items	**568**	**162**	**730**
Share of losses of joint ventures and associated undertakings	**–**	**–**	**–**

	Broadcast & Online 2013 £m	ITV Studios* 2013 £m	Consolidated 2013 £m
Total segment revenue	1,896	857	2,753
Intersegment revenue	–	(364)	(364)
Revenue from external customers	1,896	493	2,389
EBITA before exceptional items	487	133	620
Share of losses of joint ventures and associated undertakings	(2)	–	(2)

* Revenue of £255 million (2013: £199 million) was generated in the US during the year, and represented £297 million (2013: £83 million) of non-current assets at year end.

Intersegment revenue, which is carried out on arm's length terms, is generated from the supply of ITV Studios programmes to Broadcast & Online for transmission primarily on ITV. This revenue stream is a measure which forms part of the Group's strategic priority of building a strong international content business, as by producing and retaining rights to the broadcast shows the Group benefits further from subsequent international content and format sales.

In preparing the segment information, centrally managed costs have been allocated between reportable segments on a methodology driven principally by revenue, headcount and building occupancy of each segment. This is consistent with the basis of reporting to the Board of Directors.

Broadcast & Online

The Group operates the largest commercial family of channels in the UK and delivers content through traditional television broadcasting. In addition to linear broadcast, the Group delivers its content either through ITV Player, which is available on multiple platforms including ITV's website and pay platforms, or through direct content deals. The content, which is commissioned and scheduled by this segment, is funded primarily by television advertising, where revenue is generated from the sale of audiences for advertising airtime and sponsorship.

Other sources of revenue are from: online advertising, revenue from pay platforms such as Sky, SDN revenue (which generates licence sales for DTT Multiplex A), and participation revenue (which includes interactive sales from competitions).

ITV Studios

ITV Studios is the Group's international content business, creating and producing programmes and formats that return and travel, namely drama, entertainment and factual entertainment.

ITV Studios UK is the largest commercial producer in the UK and produces programming for the Group's own channels, accounting for 60% of ITV network spend. Programming is also sold to other UK broadcasters such as the BBC, Channel 4 and Sky.

ITV Studios America is the largest unscripted independent producer of content in the US and is growing its scripted presence by increasing investment in high profile dramas straight to series.

ITV Studios also operates in four other international locations being Australia, Germany, France and the Nordics, where content is produced for local broadcasters. This content is either locally created IP or formats that have been created elsewhere by ITV, primarily the UK.

Global Entertainment, ITV's distribution business, licenses ITV's finished programmes and formats and third party content internationally. Within this business we also finance productions both on and off ITV to acquire global distribution rights.

EBITA before exceptional items

The Directors assess the performance of the reportable segments based on a measure of EBITA before exceptional items. The Directors use this measurement basis as it excludes the effect of non-recurring income and expenditure. Amortisation and share of profit/(losses) of joint ventures and associates are also excluded to reflect more accurately how the business is managed and measured on a day-to-day basis. Net financing costs and tax are not allocated to segments as the funding, cash and tax management of the Group are activities carried out by the central treasury and tax functions.

A reconciliation from EBITA before exceptional items to profit before tax is provided as follows:

	2014 £m	2013 £m
EBITA before exceptional items	**730**	620
Operating exceptional items	**(12)**	(8)
Amortisation of intangible assets	**(67)**	(66)
Net financing costs	**(51)**	(115)
Share of losses of joint ventures and associated undertakings	**–**	(2)
Gain on sale of non-current assets (exceptional items)	**4**	–
Gain on sale of subsidiaries and investments (exceptional items)	**1**	6
Profit before tax	**605**	435

The Group's principal operations are in the United Kingdom. Its revenue from external customers in the United Kingdom is £2,123 million (2013: £1,982 million), and total revenue from external customers in other countries is £467 million (2013: £407 million).

There are two media buying agencies (2013: three) acting on behalf of a number of customers that represent the Group's major customers. These agencies are the only customers which individually represent over 10% of the Group's revenue. Revenue of approximately £571 million (2013: £527 million) and £312 million (2013: £235 million) was derived from these customers. This revenue is attributable to the 'Broadcast & Online' segment.

Cash generated from operations

A reconciliation from profit before tax to cash generated from operations before exceptional items is as follows:

	2014 £m	2013 £m
Cash flows from operating activities		
Profit before tax	**605**	435
Gain on sale of subsidiaries and investments (exceptional items)	**(1)**	(6)
Gain on sale of non-current assets (exceptional items)	**(4)**	–
Share of losses of joint ventures and associated undertakings	**–**	2
Net financing costs	**51**	115
Operating exceptional items	**12**	8
Depreciation of property, plant and equipment	**27**	24
Amortisation of intangible assets	**67**	66
Share-based compensation and pension service costs	**14**	20
Increase in programme rights and other inventory, and distribution rights	**(39)**	(42)
Decrease/(increase) in receivables	**18**	(15)
(Decrease)/increase in payables	**(48)**	42
Movement in working capital	**(69)**	(15)
Cash generated from operations before exceptional items	**702**	649

Included in the increase in inventory is the investment by ITV Studios in high end drama, which is discussed in the Financial and Performance Review on pages 42 and 43.

Operating costs

Staff costs

Staff costs before exceptional items can be analysed as follows:

	2014 £m	2013 £m
Wages and salaries	**293**	255
Social security and other costs	**45**	42
Share-based compensation (see note 4.7)	**14**	14
Pension costs	**22**	19
Total staff costs	**374**	330
Less: staff costs allocated to productions	**(136)**	(103)
FTEE staff costs (non-production)	**238**	227

Financial Statements

Section 2: Results for the Year continued

The number of full-time equivalent employees ('FTEE') (excluding short-term contractors and freelancers who are predominantly allocated to the cost of productions), calculated on a weighted average basis, during the year was:

	2014	2013
Broadcast & Online	**2,042**	2,049
ITV Studios	**2,517**	2,208
	4,559	4,257

The increase in full-time equivalent employees in ITV Studios is primarily driven by the acquisitions completed in 2014.

Details of Directors' emoluments, share options, pension entitlements and long-term incentive scheme interests are set out in the Remuneration Report. Listed Directors' gains on share options for 2014 are set out in the ITV plc entity financial statements.

Read more on the **Remuneration Report** on **pages 82 to 99**.

Depreciation

Depreciation in the year was £27 million (2013: £24 million), of which £15 million (2013: £12 million) relates to 'Broadcast & Online' and £12 million (2013: £12 million) to 'ITV Studios'.

Operating leases

The total undiscounted future minimum lease payments under non-cancellable operating leases fall due for payment as follows:

2014	Transponders	Property	Total
Within one year	**38**	**13**	**51**
Later than one year and not later than five years	**123**	**33**	**156**
Later than five years	**158**	**16**	**174**
	319	**62**	**381**

2013	Transponders	Property	Total
Within one year	36	12	48
Later than one year and not later than five years	138	23	161
Later than five years	194	11	205
	368	46	414

The Group's operating leases relate to transponder assets and office and studio properties. The Group holds transmission supply agreements that require the use of specific transponder assets for a period of up to ten years with payments increasing over time, limited by specific RPI caps. These supply agreements are classified as operating leases, in accordance with the Group's policy on leases detailed in note 3.2.

Property leases typically run for a period of up to eight years and may have an option to renew after that date (options to renew are not included in the commitments table). Lease payments are generally subject to market review every five years to reflect market rentals, but because of the uncertainty over the amount of any future changes, such changes have not been reflected in the table above. None of the lease agreements include contingent rentals.

The total future minimum sublease payments expected to be received under non-cancellable subleases at the year end are £2 million (2013: £2 million).

The total operating lease expenditure recognised during the year was £49 million (2013: £45 million) and total sublease payments received were £1 million (2013: £2 million).

Audit fees

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

Read more on the Group's policy regarding additional assignments in the **Audit Committee Report** on **page 81.**

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

	2014 £m	2013 £m
For the audit of the Group's annual accounts	**0.6**	0.7
For the audit of subsidiaries of the Group	**0.2**	0.2
Audit-related assurance services	**0.2**	0.1
Total audit and audit-related assurance services	**1.0**	1.0
Taxation compliance services	**0.2**	0.1
Taxation advisory services	**0.2**	0.2
Other assurance services	**0.2**	0.2
Total non-audit Services	**0.6**	0.5
Total fees paid to KPMG	**1.6**	1.5

There were no fees payable in 2014 or 2013 to KPMG and associates for the auditing of accounts of any associate of the Group, internal audit services, services relating to corporate finance transactions entered into or proposed to be entered into, by or on behalf of the Group or any of its associates.

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

2.2 Exceptional items

Keeping it simple . . .

Exceptional items are material and are excluded from management's assessment of profit because by their nature they could distort the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business (e.g. costs relating to capital transactions, such as professional fees on acquisitions). These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

Accounting policies

Exceptional items as described above are disclosed on the face of the income statement.

Subsequent revisions of estimates for items initially recognised as exceptional are recorded as exceptional items in the year that the revision is made. Gains or losses on disposal of non-core assets are also considered exceptional due to their nature and impact on the Group's underlying quality of earnings.

Exceptional items

Operating and non-operating exceptional items are analysed as follows:

(Charge)/credit	Ref.	2014 £m	2013 £m
Operating exceptional items:			
Reorganisation and restructuring costs	A	**(6)**	–
Acquisition-related expenses	B	**(6)**	(8)
Total net operating exceptional items		**(12)**	(8)
Non-operating exceptional items:			
Gain on sale of non-current assets	C	**4**	–
Gain on sale and impairment of subsidiaries and investments	D	**1**	6
Total non-operating exceptional items		**5**	6
Total exceptional items before tax		**(7)**	(2)
Total exceptional items net of tax		**(5)**	(1)

A – Reorganisation and restructuring costs

In 2014 £6 million of non-recurring costs were incurred as a result of an ITV Studios restructuring initiative with the aim of driving commerciality and efficiencies within the UK production business.

B – Acquisition-related expenses

Acquisition-related expenses of £6 million include professional fees (mainly financial and legal due diligence) incurred on the acquisitions completed during the year of £3 million (2013: £5 million; see also note 3.4), and expenses in the period with respect to performance-based, employment linked contingent costs accrued to former owners of £3 million (2013: £3 million).

C – Gain on sale of non-current assets

In 2014 a £4 million gain on sale of non-current assets arose primarily as a result of the sale of a freehold property in Cardiff.

D – Gain on sale and impairment of subsidiaries and investments

The gain of £1 million in 2014 relates to a historical disposal. In 2013 the credit principally related to the gain of £6 million recognised on disposal of STV shares.

Financial Statements

Section 2: Results for the Year continued

2.3 Taxation

Keeping it simple . . .

This section lays out the tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the income statement), a reconciliation of what the tax charge on profits would be at the standard UK rate to the actual charge recorded and the movements in deferred tax assets and liabilities.

Accounting policies

The tax charge for the period is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax. The calculation of the Group's total tax charge involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a resolution has been reached by the relevant tax authority.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years. The current tax charge is based on tax rates that are enacted or substantively enacted at the year end.

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

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. The following temporary differences are not provided for:

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference.

Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income. Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Taxation – Income statement

The total taxation charge in the income statement is analysed as follows:

	2014 £m	2013 £m
Current tax:		
Current tax charge before exceptional items	**(118)**	(78)
Current tax charge on exceptional items	**(2)**	(2)
	(120)	(80)
Adjustments for prior periods	**(6)**	3
	(126)	(77)
Deferred tax:		
Origination and reversal of temporary differences	**(9)**	(25)
Adjustments for prior periods	**3**	(3)
	(6)	(28)
Total taxation charge in the income statement	**(132)**	(105)

Adjustments for prior periods primarily arise where an outcome is obtained on certain tax matters which differs from expectations held when the related provision was made. Where the outcome is more favourable than the provision made, the difference is released, lowering the current year tax charge. Where the outcome is less favourable than our provision, an additional charge to current year tax will occur.

In order to understand how, in the income statement, a tax charge of £132 million (2013: £105 million) arises on a profit before tax of £605 million (2013: £435 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2014 £m	2013 £m
Profit before tax	**605**	435
Taxation charge at UK corporation tax rate of 21.5% (2013: 23.25%)	**(130)**	(101)
Non-taxable income/non-deductible expenses	**1**	1
Adjustments for prior periods	**(3)**	–
Impact of changes in tax rate	**–**	(4)
Other	**–**	(1)
Total taxation charge in the income statement	**(132)**	(105)

Non-deductible expenses are expenses that are not expected to be allowable for tax purposes. Similarly, non-taxable income is income that will not be taxed.

The effective tax rate is the tax charge on the face of the income statement expressed as a percentage of the profit before tax. In the years ended 31 December 2014 and 31 December 2013, the effective tax rate is comparable to the standard rate of UK corporation tax. As explained in the Financial and Performance Review, the Group uses an adjusted tax rate to show the cash tax impact on its adjusted earnings.

Taxation – Other comprehensive income
Within other comprehensive income a tax charge totalling £3 million (2013: charge of £13 million) has been recognised representing deferred tax as analysed in the table below.

Taxation – Statement of financial position
The table below outlines the deferred tax assets/(liabilities) that are recognised in the statement of financial position, together with their movements in the year:

	At 1 January 2014 £m	Recognised in the income statement £m	Recognised in OCI £m	At 31 December 2014 £m
Property, plant and equipment	(6)	5	–	**(1)**
Intangible assets	(19)	11	–	**(8)**
Programme rights	1	–	–	**1**
Pension scheme deficits	56	(16)	(4)	**36**
UK tax losses	1	(1)	–	**–**
Share-based compensation	13	–	1	**14**
Overseas	10	(6)	–	**4**
Other	(4)	1	–	**(3)**
	52	(6)	(3)	**43**

	At 1 January 2013 £m	Recognised in the income statement (restated) £m	Recognised in OCI (restated) £m	At 31 December 2013 £m
Property, plant and equipment	(6)	–	–	(6)
Intangible assets	(34)	15	–	(19)
Programme rights	1	–	–	1
Pension scheme deficits	96	(27)	(13)	56
UK tax losses	17	(16)	–	1
Share-based compensation	9	(1)	5	13
Overseas	9	1	–	10
Other	1	–	(5)	(4)
	93	(28)	(13)	52

Financial Statements

Section 2: Results for the Year continued

At 31 December 2014, total deferred tax assets are £55 million (2013: £81 million) and total deferred tax liabilities are £12 million (2013: £29 million).

The deferred tax balance relates to:

- property, plant and equipment temporary differences arising on assets qualifying for capital allowances;
- temporary differences on intangible assets arising on business combinations;
- temporary differences on intercompany profits on programme rights;
- pension scheme deficit temporary differences on the IAS 19 pension deficit and additional contributions resulting from funding through the SDN and LTVC pension partnerships (not recognised as contributions under IAS 19);
- UK tax loss temporary differences in receiving the benefit of the Group's tax losses;
- share-based compensation temporary differences on share schemes;
- overseas temporary differences on intangible assets and net operating losses arising in the US; and
- other temporary differences on miscellaneous items.

Deferred tax is provided at 20% (2013: 20%), which is the rate that was substantively enacted to apply from 2 July 2013. The impact of the change in the tax rate in 2013 from 23% to 20% was £6 million.

The deferred tax balance associated with the pension deficit has been adjusted to reflect the current tax benefit obtained in the current year following the employer contributions of £103 million, including deficit contributions of £91 million, to the Group's defined benefit pension scheme. The adjustment in equity to the deferred tax balance primarily relates to the actuarial gains recognised in the period.

A deferred tax asset of £444 million (2013: £446 million) in respect of capital losses of £2,221 million (2013: £2,230 million) has not been recognised due to uncertainties as to the amount and whether a capital gain will arise in the appropriate form and relevant territory against which such losses could be utilised. For the same reasons, deferred tax assets in respect of overseas losses of £14 million (2013: £14 million) that time expire between 2017 and 2026 have not been recognised.

2.4 Earnings per share

Keeping it simple . . .

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the year attributable to equity shareholders of £466 million (2013: £326 million) divided by 4,002 million (2013: 3,929 million) being the weighted average number of shares in issue during the year.

Diluted EPS reflects any commitments the Group has to issue shares in the future and so includes the impact of share options.

Basic EPS is adjusted in order to show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. Adjusted EPS is adjusted for exceptional items which include acquisition-related costs (professional fees, primarily due diligence, and performance-based, employment-linked contingent payments), impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments and prior period and other tax adjustments.

The calculation of EPS and adjusted EPS, together with the diluted impact on each, is set out below:

Earnings per share 2014

	Ref.	Basic £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		**466**	**466**
Weighted average number of ordinary shares in issue – million		**4,002**	**4,002**
Dilution due to share options	A	**–**	**38**
Total weighted average number of ordinary shares in issue – million		**4,002**	**4,040**
Earnings per ordinary share		**11.6**	**11.5**

Adjusted earnings per share 2014

	Ref.	Adjusted £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		**466**	**466**
Exceptional items	B	**5**	**5**
Profit for the year before exceptional items		**471**	**471**
Amortisation and impairment of acquired intangible assets	C	**44**	**44**
Adjustments to net financing costs	D	**34**	**34**
Other tax adjustments	E	**5**	**5**
Adjusted profit	F	**554**	**554**
Total weighted average number of ordinary shares in issue – million		**4,002**	**4,040**
Adjusted earnings per ordinary share		**13.8**	**13.7**

Earnings per share 2013

	Ref.	Basic £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		326	331
Weighted average number of ordinary shares in issue – million		3,929	3,929
Dilution due to share options		–	46
Dilution due to convertible bond	A	–	136
Total weighted average number of ordinary shares in issue – million		3,929	4,111
Earnings per ordinary share		8.3p	8.1p

Adjusted earnings per share 2013

	Ref.	Adjusted £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		326	331
Exceptional items	B	1	1
Profit for the year before exceptional items		327	332
Amortisation and impairment of acquired intangible assets	C	42	42
Adjustments to net financing costs	D	69	69
Other tax adjustments	E	3	3
Adjusted profit	F	441	446
Total weighted average number of ordinary shares in issue – million		3,929	4,111
Adjusted earnings per ordinary share		11.2p	10.8p

Read more on our rationale for determining the adjustments to profit in the **Financial and Performance Review** on **page 46.**

Details of the adjustments to earnings are as follows:

A. The Group dilutes EPS for the impact of any share options and convertible instruments outstanding during the year. In the prior year the Group had a convertible Eurobond that contributed 136 million shares on a weighted average basis when determining diluted EPS. In October 2013 the Group repurchased 55% of the 2016 convertible Eurobond and settled the remainder for equity. This resulted in an additional 95 million new shares being issued.

B. Both operating and non-operating exceptional items (detailed in note 2.2) are adjusted to reflect profit for the year before exceptional items. A net tax credit of £2 million (2013: £1 million credit) is recognised on the total exceptional items charge of £7 million (2013: £2 million charge).

C. Amortisation and impairment of acquired intangible assets of £44 million (2013: £42 million) is calculated as total amortisation and impairment of £67 million (2013: £66 million), less amortisation of software licences and development of £11 million (2013: £12 million). A related tax credit of £12 million (2013: £12 million) is then recognised on the net amount.

D. Gross adjustments of £44 million (2013: £90 million) have been made to net financing costs and relate to mark-to-market movements on derivative instruments, losses on buybacks and imputed pension interest charges (see note 4.4 for details). This is reduced by a tax credit of £10 million (2013: £21 million) to give a net adjustment of £34 million (2013: £69 million).

E. Other tax adjustments primarily reflect the cash tax benefit received on goodwill arising from the US acquisitions, which for tax purposes is amortised over a 15 year period (2013: the adjustment reflects the impact on the deferred tax charge resulting from a decrease in the statutory tax rate from 23% to 20%).

F. Adjusted profit for the year removes the effect of exceptional items. These include acquisition related costs (professional fees, primarily due diligence, and performance-based, employment-linked contingent payments), amortisation of intangible assets acquired through business combinations, net financing costs adjustments and other tax adjustments.

Financial Statements

Section 3: Operating Assets and Liabilities

In this section . . .

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.3.

On the following pages there are notes covering working capital, non-current assets and liabilities, acquisitions and disposals, provisions and pensions.

3.1 Working capital

Keeping it simple . . .

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as distribution rights, programme rights and production costs, trade and other receivables and trade and other payables.

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

Working capital is a driver of the 'profit to cash' conversion, a key performance indicator for the Group. The Group's target 'profit to cash' ratio on a rolling three year basis is at least 90%.

In the following section you will find further information regarding working capital management and analysis of the elements of working capital.

3.1.1 Distribution rights

Accounting policies

'Distribution rights' are programme rights the Group buys from producers to derive future revenue, principally through licensing to broadcasters. These are classified as non-current assets as these rights are used to derive long-term economic benefit for the Group.

Distribution rights are recognised initially at cost and charged through operating costs in the income statement over a maximum five-year period that is dependent on either cumulative sales and programme genre, or based on forecast future sales. Advances paid for the acquisition of distribution rights are disclosed as distribution rights as soon as they are contracted. These advances are not expensed until the programme is available for distribution. Up to that point they are assessed annually for impairment through the reassessment of the future sales expected to be earned from that title.

The net book value of distribution rights at the year are as follows:

	2014 £m	2013 £m
Distribution rights	**13**	10

The movement during the year comprises additions of £21 million (2013: £16 million) and amounts charged to the income statement of £18 million (2013: £23 million).

3.1.2 Programme rights and other inventory

Accounting policies

Rights are recognised when the Group controls the respective rights and the risks and rewards associated with them.

Programme rights and production costs not yet written off are included in the statement of financial position at the lower of cost and net realisable value.

Broadcast programme rights

Acquired programme rights (which include films), and sports rights, are purchased for the primary purpose of broadcasting on the ITV network. These are recognised within current assets as payments are made or when the rights are ready for broadcast. The Group generally expenses these rights through operating costs over a number of transmissions reflecting the pattern and value in which the right is consumed.

Commissions, which primarily comprise programmes purchased based on editorial specification and over which the Group has some control, are recognised in current assets as payments are made and are generally expensed to operating costs in full on first transmission. Where a commission is repeated, incremental costs are included in operating costs

Where a repeat of a programme is broadcast, the Group recognises the incremental costs associated with the broadcast in operating costs.

In assessing net realisable value for acquired and commissioned rights, the net realisable value assessment is based on estimated airtime value, with consideration given to whether the number of transmissions purchased can be efficiently played out over the licence period.

Studios production costs
Production inventory comprises the costs incurred by ITV Studios in producing a programme, where the programme is part way through the production process and not yet available for delivery to a broadcaster. They are recognised within current assets at production cost as incurred and are recognised in operating costs on delivery of episodes.

Also included here are dramas that have been commissioned straight to series. Although more expensive than producing a pilot, this method attracts high profile talent to the production and raises the profile of the series to support its distribution. The production cost is partly funded by network pre-sales, while the remainder, the "deficit", is carried internally and covered by future sales.

In assessing net realisable value for programmes in production, judgement is required when considering the contracted sales price and estimated costs to complete.

The programme rights and other inventory at the year end are shown in the table below:

	2014 £m	2013 £m
Acquired programme rights	101	110
Commissions	57	46
Sports rights	40	57
Production costs	169	109
	367	322

Programme rights and other inventory written down in the year were £1 million (2013: £1 million).

3.1.3 Programme commitments
These are operating commitments in respect of programming entered into in the ordinary course of business with programme suppliers, sports organisations and film distributors in respect of rights to broadcast on the ITV network. Commitments in respect of these purchases, which are not reflected in the statement of financial position, are due for payment as follows:

	2014 £m	2013 £m
Within one year	464	444
Later than one year and not more than five years	462	431
More than five years	58	3
	984	878

3.1.4 Trade and other receivables
Accounting policies
Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). Where payments are not due for more than one year, they are shown in the financial statements at their net present value to reflect the economic cost of delayed payment. The Group provides goods and services to substantially all its customers on credit terms.

Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience, the current state of the UK and overseas economies and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Group will not be able to collect all amounts due.

The carrying value of trade receivables is considered to approximate fair value.

Trade and other receivables can be analysed as follows:

	2014 £m	2013 £m
Due within one year:		
Trade receivables	271	295
Other receivables	27	40
Prepayments and accrued income	87	53
	385	388
Due after more than one year:		
Trade receivables	7	11
Other receivables	17	3
Total trade and other receivables	409	402

Financial Statements

Section 3: Operating Assets and Liabilities continued

Other receivables due after more than one year include £11 million (2013: £nil) relating to 2014 acquisitions (see note 3.4 for details).

£278 million (2013: £306 million) of total trade receivables that are not impaired are aged as follows:

	2014 £m	2013 £m
Current	**263**	296
Up to 30 days overdue	**7**	8
Between 30 and 90 days overdue	**4**	2
Over 90 days overdue	**4**	–
	278	306

The balance above is stated net of a provision of £7 million (2013: £7 million) for impairment of trade receivables. Of the provision total, £3 million relates to balances overdue by more than 90 days (2013: £3 million) and £4 million relates to current balances (2013: £4 million).

Movements in the Group's provision for impairment of trade receivables can be shown as follows:

	2014 £m	2013 £m
At 1 January	**7**	7
Charged during the year	**2**	1
Receivables written off during the year as uncollectable (utilisation of provision)	**–**	(1)
Unused amounts reversed	**(2)**	–
At 31 December	**7**	7

3.1.5 Trade and other payables due within one year

Accounting policies

Trade payables are recognised at the value of the invoice received from a supplier.

The carrying value of trade payables is considered to approximate fair value.

Trade and other payables due within one year can be analysed as follows:

	2014 £m	2013 £m
Trade payables	**49**	43
VAT and social security	**68**	67
Other payables	**159**	156
Accruals and deferred income	**423**	436
	699	702

3.1.6 Trade payables due after more than one year

Trade payables due after more than one year can be analysed as follows:

	2014 £m	2013 £m
Trade payables	**27**	42

This primarily relates to film creditors for which payment is due after more than one year.

3.1.7 Working capital management

Cash and working capital management continues to be a key focus. During the year the cash outflow from working capital was £69 million (2013: outflow of £15 million) derived as follows:

	2014 £m	2013 £m
Increase in programme rights and other inventory and distribution rights	**(39)**	(42)
Decrease/ (increase) in receivables	**18**	(15)
(Decrease)/increase in payables	**(48)**	42
Working capital outflow	**(69)**	(15)

The working capital outflow for the year excludes the impact of balances acquired on the purchase of new subsidiaries (see note 3.4).

The outflow is largely driven by the increase in production inventory as a result of increased investment in scripted content, predominantly in the US.

Read more on our investment in scripted content in the **Financial and Performance Review** on **pages 42** and **43**.

3.2 Property, plant and equipment

Keeping it simple . . .

The following section shows the physical assets used by the Group to operate the business, generating revenues and profits. These assets include office buildings and studios, as well as equipment used in broadcast transmission, programme production and support activities.

The cost of these assets is the amount initially paid for them. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years the Group expects the asset to be used (useful economic life). If there has been a technological change or decline in business performance the Directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit.

This section also explains the accounting policies followed by ITV and the specific estimates made in arriving at the net book value of these assets.

Accounting policies

Property, plant and equipment

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

Leases

Finance leases are those which transfer substantially all the risks and rewards of ownership to the lessee. Certain service contracts involve the use of specific assets (e.g. transmission or studio equipment) and therefore contain an embedded lease.

Determining whether a lease is a finance lease requires judgement as to whether substantially all of the risks and benefits of ownership have been transferred to the Group. Estimates used by management in making this assessment include the useful economic life of assets, the fair value of the asset and the discount rate applied to the total payments required under the lease. Assets held under such leases are included within property, plant and equipment and depreciated on a straight-line basis over their estimated useful lives.

Outstanding finance lease obligations, which comprise the principal plus accrued interest, are included within borrowings. The finance element of the agreements is charged to the income statement over the term of the lease on an effective interest basis.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight-line basis over the lease term (see note 2.1 for further details of operating lease commitments).

Depreciation

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

Asset class	Depreciation policy
Freehold land	not depreciated
Freehold buildings	up to 60 years
Leasehold improvements	shorter of residual lease term or estimated useful life
Vehicles, equipment and fittings[1]	3 to 20 years

1. Equipment includes studio production and technology assets.

Impairment of assets

Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance.

Financial Statements

Section 3: Operating Assets and Liabilities continued

Property, plant and equipment

Property, plant and equipment can be analysed as follows:

	Freehold land and buildings	Improvements to leasehold land and buildings		Vehicles, equipment and fittings		Total
		Long	Short	Owned	Finance leases	
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2013	14	76	16	203	16	325
Additions	58	24	1	23	–	106
Reclassification of acquired property	32	(32)	–	–	–	–
Reclassification from assets held for sale	33	1	–	8	–	42
Disposals and retirements	–	–	–	(13)	–	(13)
At 31 December 2013	**137**	**69**	**17**	**221**	**16**	**460**
Additions	–	–	–	26	–	26
Reclassification of property fittings	–	(2)	–	2	–	–
Disposals and retirements	(17)	–	–	(12)	–	(29)
At 31 December 2014	**120**	**67**	**17**	**237**	**16**	**457**
Depreciation						
At 1 January 2013	3	16	15	121	14	169
Charge for the year	1	1	–	22	–	24
Reclassification of acquired property	7	(7)	–	–	–	–
Reclassification from assets held for sale	12	1	–	8	–	21
Disposals and retirements	–	–	–	(13)	–	(13)
At 31 December 2013	**23**	**11**	**15**	**138**	**14**	**201**
Charge for the year	1	2	–	24	–	27
Disposals and retirements	(7)	–	–	(12)	–	(19)
At 31 December 2014	**17**	**13**	**15**	**150**	**14**	**209**
Net book value						
At 31 December 2014	**103**	**54**	**2**	**87**	**2**	**248**
At 31 December 2013	114	58	2	83	2	259

There are additions of £5 million in 2014 relating to acquisitions made in the year (2013: £nil).

Included within property, plant and equipment are assets in the course of construction of £10 million (2013: £66 million). In 2013 this included construction costs in relation to the new Coronation Street set, which was completed in early 2014.

During the year, the Group sold a freehold property in Cardiff for proceeds of £15 million, representing a gain on sale of £5 million.

Capital commitments

There are £2 million of capital commitments at 31 December 2014 (2013: £3 million).

3.3 Intangible assets

Keeping it simple . . .

The following section shows the non-physical assets used by the Group to generate revenue and profits.

These assets include brands, customer contracts and relationships, contractual arrangements, licences, software development, film libraries and goodwill. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights. In the case of goodwill, its cost is the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is 'intangible' value that comes from, for example, a uniquely strong market position and the outstanding productivity of its employees.

The value of intangible assets, with the exception of goodwill, reduces over the number of years the Group expects to use the asset, the useful economic life, via an annual amortisation charge to the income statement. Where there has been a technological change or decline in business performance the Directors review the value of assets, including goodwill, to ensure they have not fallen below their amortised value. Should an asset's value fall below its amortised value an additional one-off impairment charge is made against profit.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

Accounting policies

Goodwill

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. The goodwill recognised by the Group has all arisen as a result of business combinations. Goodwill is stated at its recoverable amount being cost less any accumulated impairment losses and is allocated to the business to which it relates.

Due to changes in accounting standards goodwill has been calculated using three different methods depending on the date the relevant business was purchased.

Method 1: All business combinations that have occurred since 1 January 2009 were accounted for using the acquisition method. Under this method, goodwill is measured as the fair value of the consideration transferred (including the recognition of any part of the business not yet owned (non-controlling interests)), less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Any contingent consideration expected to be transferred in the future will be recognised at fair value at the acquisition date and recognised within Other payables. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognised in the income statement. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount rate.

Where less than 100% of a subsidiary is acquired, and call and put options are granted over the remaining interest, a non-controlling interest is initially recognised in equity at fair value, which is established based on the value of the put option. A call option is recognised as a derivative financial instrument, carried at fair value. The put option is recognised as a liability within Other payables, carried at the present value of the put option exercise price, and a corresponding charge is included in Merger and Other Reserves. Any subsequent remeasurement of the call option and the put option liability is recognised within finance income or cost.

Subsequent adjustments to the fair value of net assets acquired can only be made within 12 months of the acquisition date, and only if fair values were determined provisionally at an earlier reporting date. These adjustments are accounted for from the date of acquisition.

Financial Statements

Section 3: Operating Assets and Liabilities continued

Acquisitions of non-controlling interests are accounted for as transactions with owners and therefore no goodwill is recognised as a result of such transactions. Transaction costs incurred in connection with those business combinations, such as legal fees, due diligence fees and other professional fees, are expensed as incurred.

Method 2: All business combinations that occurred between 1 January 2004 and 31 December 2008 were accounted for using the purchase method in accordance with IFRS 3 'Business Combinations (2004)'. Goodwill on those combinations represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired and did not include the value of the non-controlling interest. Transaction costs incurred in connection with those business combinations, such as legal fees, due diligence fees and other professional fees, were included in the cost of acquisition.

Method 3: For business combinations prior to 1 January 2004, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at that time less accumulated amortisation up to 31 December 2003. The classification and accounting treatment of business combinations occurring prior to 1 January 2004, the date of transition to IFRS, has not been reconsidered as permitted under IFRS 1.

Other intangible assets

Intangible assets other than goodwill are those which are identifiable and can be sold separately or which arise from legal rights.

Within ITV there are two types of intangible assets: those acquired and those that have been internally generated (such as software licences and development).

Intangible assets acquired directly by the Group are stated at cost less accumulated amortisation. Those separately identified intangible assets acquired as part of a business combination are shown at fair value at the date of acquisition less accumulated amortisation.

The main intangible assets the Group has valued are brands, licences, contractual arrangements, customer contracts and relationships and libraries.

Each class of intangible asset's valuation method on initial recognition, amortisation method and estimated useful life is set out in the table below:

Class of intangible asset	Valuation method	Amortisation method	Estimated useful life
Brands	Applying a royalty rate to the expected future revenue over the life of the brand.	Straight-line	up to 14 years
Customer contracts and relationships	Expected future cash flows from those contracts and relationships existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.	Straight-line or reducing balance as appropriate	up to 6 years for customer contracts 5 to 10 years for customer relationships
Contractual arrangements	Expected future cash flows from those contracts existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.	Straight-line	up to 10 years depending on the contract terms
Licences	Start-up basis of expected future cash flows existing at the date of acquisition. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.	Straight-line	11 to 17 years depending on term of licence
Libraries and other	Initially at cost and subsequently at cost less accumulated amortisation.	Sum of digits or straight line as appropriate	up to 20 years
Software licences and development	Initially at cost and subsequently at cost less accumulated amortisation.	Straight-line	1 to 5 years

Determining the fair value of intangible assets arising on acquisition requires judgement. The Directors make estimates regarding the timing and amount of future cash flows derived from exploiting the assets being acquired. The Directors then estimate an appropriate discount rate to apply to the forecast cash flows. Such estimates are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates, operating costs and the expected useful lives of assets. Judgements are also made regarding whether, and for how long, licences will be renewed; this drives our amortisation policy for those assets.

The Directors estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the assets or businesses being acquired.

Amortisation

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Indefinite life assets, such as goodwill, are not amortised but are tested for impairment at each year end.

Impairment

Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

Other intangible assets are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried in the statement of financial position is less than its recoverable amount.

Determining whether the carrying amount of intangible assets has any indication of impairment requires judgement. Any impairment is recognised in the income statement.

An impairment test is performed by assessing the recoverable amount of each asset, or for goodwill, the cash-generating unit (or group of cash-generating units) related to the goodwill. Total assets (which includes goodwill) are grouped at the lowest levels for which there are separately identifiable cash flows ('cash-generating unit' or 'CGU').

The recoverable amount is the higher of an asset's fair value less costs to sell and 'value in use'. The value in use is based on the present value of the future cash flows expected to arise from the asset.

The Group applies cautious assumptions for impairment testing. Estimates are used in deriving these cash flows and the discount rate. Such estimates reflect current market assessments of the risks specific to the asset and the time value of money. The estimation process is complex due to the inherent risks and uncertainties. If different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements.

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

Financial Statements

Section 3: Operating Assets and Liabilities continued

Intangible assets

Intangible assets can be analysed as follows:

	Goodwill £m	Brands £m	Customer contracts and relationships £m	Contractual arrangements £m	Licences £m	Libraries and other £m	Software licences and development £m	Total £m
Cost								
At 1 January 2013	3,411	175	332	10	121	79	78	4,206
Additions	58	4	20	–	–	2	–	84
Foreign exchange	(2)	–	–	–	–	–	–	(2)
At 31 December 2013	**3,467**	**179**	**352**	**10**	**121**	**81**	**78**	**4,288**
Additions	146	21	30	–	–	16	11	224
Foreign exchange	14	1	3	–	–	–	–	18
At 31 December 2014	**3,627**	**201**	**385**	**10**	**121**	**97**	**89**	**4,530**
Amortisation and impairment								
At 1 January 2013	2,654	143	306	–	74	43	48	3,268
Charge for the year	–	16	20	2	9	7	12	66
At 31 December 2013	**2,654**	**159**	**326**	**2**	**83**	**50**	**60**	**3,334**
Charge for the year	–	18	21	3	7	7	11	67
At 31 December 2014	**2,654**	**177**	**347**	**5**	**90**	**57**	**71**	**3,401**
Net book value								
At 31 December 2014	**973**	**24**	**38**	**5**	**31**	**40**	**18**	**1,129**
At 31 December 2013	813	20	26	8	38	31	18	954

All intangible asset additions in the year, excluding software, are due to the acquisition of three production companies, as detailed in note 3.4 (2013: four production companies acquired).

Goodwill impairment tests

The following CGUs represent the carrying amounts of goodwill:

	2014 £m	2013 £m
Broadcast & Online	**342**	342
SDN	**76**	76
ITV Studios	**555**	395
	973	813

There has been no impairment charge for the year (2013: £nil).

When assessing impairment, the recoverable amount of each CGU is based on value in use calculations. These calculations require the use of estimates, specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax market discount rate.

Cash flow projections are based on the Group's current five year plan. Beyond the five year plan these projections are extrapolated using an estimated long-term growth rate of 2% (2013: 2%). The growth rate used is consistent with the long-term average growth rates for both the industry and the country in which they are located and is appropriate because these are long-term businesses.

The discount rate has been revised for each CGU to reflect the latest market assumptions for the Risk-Free rate, the Equity Risk Premium and the net cost of debt. There is currently no reasonably possible change in discount rate that would reduce the headroom in any CGU to zero.

Broadcast & Online

The goodwill in this CGU arose as a result of the acquisition of broadcasting businesses since 1999, the largest of which was the merger of Carlton and Granada in 2004 to form ITV plc, which was treated as an acquisition of Carlton for accounting purposes.

No impairment charge arose in the Broadcast & Online CGU during the course of 2014 (2013: £nil).

The main assumptions on which the forecast cash flow projections for this CGU are based include: the share of the television advertising market; share of commercial impacts; programme and other costs; and the pre-tax market discount rate.

The key assumption in assessing the recoverable amount of Broadcast & Online goodwill is the size of the television advertising market. In forming its assumptions about the television advertising market, the Group has used a combination of long-term trends, industry forecasts and in-house estimates, which place greater emphasis on recent experience. The latest range of forecasts for the advertising market is 2-5% for 2015. No impairment was identified. Also as part of the review, a sensitivity of up to -10% was applied to 2015 for the purposes of the impairment test, again with no impairment identified.

A pre-tax market discount rate of 10.6% (2013: 11.3%) has been used in discounting the projected cash flows.

The Directors believe that currently no reasonably possible change in these assumptions would reduce the headroom in this CGU to zero.

SDN

Goodwill was recognised when the Group acquired SDN (the licence operator for DTT Multiplex A) in 2005. It represented the wider strategic benefits of the acquisition specific to the Group, principally the enhanced ability to promote Freeview as a platform, business relationships with the channels which are on Multiplex A and additional capacity available from 2010.

No impairment charge arose on the SDN goodwill during the course of 2014 (2013: £nil).

The main assumptions on which the forecast cash flows are based are: income to be earned from medium-term contracts; the market price of available multiplex video streams in the period up to and beyond digital switchover; and the pre-tax market discount rate. These assumptions have been determined by using a combination of current contract terms, recent market transactions and in-house estimates of video stream availability and pricing.

A pre-tax market discount rate of 12.6% (2013: 13.1%) has been used in discounting the projected cash flows.

The Directors believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

ITV Studios

The goodwill for ITV Studios has arisen as a result of the acquisition of production businesses since 1999. Significant balances were created from the acquisition by Granada of United News and Media's production businesses in 2000 and the merger of Granada and Carlton in 2004 to form ITV plc. ITV Studios goodwill also includes all of the goodwill arising from recent acquisitions in 2012 to 2014, with the largest addition being Leftfield in 2014.

No impairment charge arose in the ITV Studios CGU during the course of 2014 (2013: £nil).

The key assumptions on which the forecast cash flows were based include revenue (including international revenue and the ITV Studios share of ITV output, growth in commissions and hours produced), margin growth and the pre-tax market discount rate. These assumptions have been determined by using a combination of extrapolation of historical trends within the business, industry estimates and in-house estimates of growth rates in all markets.

A pre-tax market discount rate of 11.7% (2013: 12.2%) has been used in discounting the projected cash flows.

The Directors believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

Following the acquisitions made by ITV Studios in 2014, the Directors considered how assets and resources are shared across the Studios division and the level of integration within the management structure for the purposes of reporting and strategic decision-making. They concluded that a single Studios CGU continues to remain appropriate.

Section 3: Operating Assets and Liabilities continued

3.4 Acquisitions

Keeping it simple . . .

The following section outlines what the Group has acquired in the year.

All of the deals are structured so that a large part of the payment made to the sellers is determined based on future performance ('consideration'). This is done so that the Group can both align incentives for growth, while reducing risk so that total consideration reflects actual performance, not expected.

IFRS accounting standards require some of this consideration to be included in the purchase price used in determining goodwill ('contingent consideration'). Examples of contingent consideration include top-up payments and recoupable performance adjustments. Any remaining consideration is required to be recognised as a liability or expense outside of acquisition accounting (put option liabilities and employment-linked contingent payments known as 'earnout' payments).

The Group considers the income statement impact of all consideration to be capital in nature and are therefore excluded from adjusted profit.

Therefore, for each acquisition below, the distinction between the types of consideration has been explained in detail.

Read more on how each of these businesses plays an important role in helping the Group execute its strategy in the **Financial and Performance Review** on **page 44.**

Acquisitions
During 2014 the Group completed three acquisitions, all of which have been included in the results of the Studios operating segment. Each of the businesses fit with the strategy of growing the Group's international content business and to work with other parts of the Studios segment to exploit that content globally. The following sections provide a summary of each.

Leftfield Entertainment Group
On 7 May the Group acquired 80% of the membership interests in New York-based producer Leftfield Entertainment Group ('Leftfield'). Leftfield owns Sirens Media and has established two start-up operations: Loud Television and Outpost Entertainment. Together these businesses produce unscripted programming for over 30 US networks.

The acquisition of Leftfield makes ITV the largest unscripted independent producer in the US and represents a significant contribution to the Group's strategy of building a strong international content business, particularly in the US. Its New York base gives ITV Studios a significant presence on both the east and west coasts and strengthens and complements our existing creative capability.

Key terms
Cash consideration of £214 million ($360 million) was paid at acquisition and the maximum total consideration for 100% of the business, including the initial payment, is £496 million ($800 million, undiscounted). The remaining consideration of up to £282 million ($440 million) will be assessed at two stages in the next five years, and the full amount will only be due should Leftfield deliver exceptional earnings growth.

There is a two way adjustment mechanism used at the first stage which will result in a payment or receivable in 2016 and is based on average performance across 2014 and 2015 against stretching growth earnings targets. Up to £69 million ($107 million, undiscounted maximum) would be payable to the seller where the business outperforms the performance target. If the minimum threshold performance targets are not met, the Group would be entitled to receive a performance adjustment of up to £30 million ($50 million, undiscounted). The adjustment is accounted for as contingent consideration.

The second stage payment comes in the form of a call and put option that has been granted over the remaining 20% non-controlling interest. The call option is first exercisable in the first half of 2017 and then again following expiry of the vendors' put option, which is exercisable in 2019. The maximum amount that the Group could pay for the remaining 20% equity interest is the residual of the £282 million less any amounts paid in 2016 ($440 million in total, undiscounted). Final payment will be entirely dependent on future performance of the business, which would need to be exceptional for the maximum to be achieved.

There are also call and put options over the non-controlling interests of Leftfield's two start-up operations that are exercisable in 2019. The final payout is dependent on future performance over the next five years and is linked to ongoing employment. The maximum consideration payable by the Group is £8 million ($13 million, undiscounted).

Acquisition accounting
The Group consolidates all of the earnings of the business and the vendors' remaining interest is recognised as a non-controlling interest in equity.

Intangibles, being the value placed on brands, customer contracts, non-compete arrangements and libraries, of £65 million ($109 million) were identified. Other fair value adjustments have been made to the opening balance sheet, though none of them are individually significant.

Goodwill represents the value placed on the opportunity to expand the Group's creative pipeline in the United States and exploiting that offering internationally. It also reflects the value of the assembled workforce of creative talent who will develop that content. The amortisation of goodwill is expected to be deductible for tax purposes.

Based on the Group's projections at acquisition, which were adjusted as part of the finalisation of the acquisition accounting, a revision of £41 million was made to goodwill and reflects the performance adjustment and fair value of the non-controlling interest. The expected value of the put option at the date of acquisition was £18 million ($30 million, discounted).

At the year end, the Group has shown the gross put option liability of £21 million, net of the performance adjustment receivable of £32 million, on the Statement of Financial Position.

Any future changes in the fair value of the put option liability or performance adjustment arising from a reassessment of projections will be reported within financing costs on the income statement, and excluded from adjusted profit.

Other acquisitions
The Group made an initial payment of £6 million for two smaller acquisitions in the period with a view that these acquisitions will strengthen and complement ITV's existing position as a producer for major television networks in both the US and the Nordics.

On 14 February 2014, the Group acquired 51% of the membership interest in DiGa Vision, a US-based producer that specialises in reality and scripted programming. The Group consolidates all the earnings of this business and the vendors' remaining interest will be recognised as a non-controlling interest in equity. A call and put option has been granted over the 49% non-controlling interest, with the put and call options both being exercisable over three to six years. The maximum additional consideration that the Group could pay for the remaining interest is £28 million ($42 million, undiscounted).

On 27 February 2014, the Group acquired 100% of United Productions, a company based in Denmark specialising in factual, entertainment and reality programmes. Contingent consideration includes a performance-based payment of £1 million (maximum £3 million, undiscounted) due to be paid in 2018 and an earnout payment capped at £1 million (undiscounted).

Key contractual arrangements of £2 million were identified across the two acquisitions and goodwill, which represents the value placed on the opportunity to grow the content produced by the Group, has been provisionally valued at £7 million. The goodwill amortisation attributable to DiGa is expected to be deductible for US tax purposes.

Acquisitions in 2013
In 2013 the Group made four acquisitions. Two were US producers High Noon and Thinkfactory, where total initial consideration (net of £4 million of cash acquired) of £31 million was paid for 60% and 65% membership interests respectively. Call and put options were granted over the non-controlling interest and the discounted put option liability at the acquisition date totalled £13 million. The maximum consideration which the Group could pay for the remaining interest across both businesses is £93 million ($144 million, undiscounted). Final payment will be entirely dependent on future performance of the business.

A 100% equity interest was acquired in UK-based producers The Garden and Big Talk, for total initial consideration (net of £6 million of cash acquired) of £25 million. The maximum additional amount payable is £45 million (undiscounted), and is being accounted for as an earnout payment.

Intangibles of £26 million were identified, largely reflecting the value placed on brands, customer contracts and contractual arrangements.

Financial Statements

Section 3: Operating Assets and Liabilities continued

Effect of acquisition

The acquisitions noted above had the following impact on the Group assets and liabilities:

£m	Leftfield	Other	**2014 Total**	2013 Total
Consideration transferred:				
Initial consideration (net of cash acquired) (Note A)	209	5	**214**	56
Contingent consideration (Note B)	(30)	1	**(29)**	6
Total consideration	179	6	**185**	62
Fair value of net assets acquired:				
Property, plant and equipment	5	–	**5**	–
Intangible assets	65	2	**67**	26
Trade and other receivables	30	2	**32**	32
Trade and other payables	(42)	(3)	**(45)**	(41)
Fair value of net assets	58	1	**59**	17
Non-controlling interest measured at fair value (Note C)	18	2	**20**	13
Goodwill	139	7	**146**	58
Other information:				
Present value at acquisition of the liability on options	18	2	**20**	13
Present value at acquisition of the earnout payment	2	2	**4**	15
Contributions to the Group's performance:				
Revenue – acquisition to date	57	5	**62**	61
Profit after tax – acquisition to date	14	–	**14**	3
Revenue – January to December	83	5	**88**	96
Profit after tax – January to December	20	–	**20**	6

Note A: Cash of £5 million was acquired with Leftfield and £1 million with DiGa.
Note B: At year end the Leftfield contingent consideration was valued at £32 million due to currency translation (see note 4.5)
Note C: Non-controlling interest arises where the Group acquires less than 100% of the equity interest in a business, but obtains control.

3.5 Investments

Keeping it simple . . .

The Group holds minority interests in a number of different entities. Accounting for these investments, and the Group's share of any profits and losses, depends on the level of control or influence the Group is granted via its interest. The three principal types of non-consolidated investments are: joint arrangements (joint ventures or joint operations), associates and fixed asset investments. A joint venture is an investment where the Group has joint control, with one or more third parties. An associate is an entity over which the Group has significant influence (i.e. power to participate in the investee's financial and operating decisions). Any other investment is a fixed asset investment.

Accounting policies

For joint ventures and associates the Group applies equity accounting. Under this method, it recognises the investment in the entity at cost and subsequently adjusts this for its share of profits or losses, which are recognised in the income statement within non-operating items and included in adjusted profit. For fixed asset investments no share of profits or losses are recognised.

The carrying value of all investments are shown as non-current assets on the Statement of Financial Position. The £10 million increase in the year comprises £7 million in relation to the acquisition of associates and fixed asset investments and £3 million of funding to existing joint ventures.

Principal investments

The Company indirectly held at 31 December 2014 the following holdings in significant joint ventures, associates and investments:

Name	**Interest in ordinary share capital 2014 %**	Interest in ordinary share capital 2013 %	Principal activity
Joint ventures			
Freesat (UK) Limited	**50.0**	50.0	Provision of a standard and high definition enabled digital satellite proposition
Digital 3 & 4 Limited	**50.0**	50.0	Operates the Channel 3 & 4 digital terrestrial multiplex
Associates			
Independent Television News (ITN) Limited	**40.0**	40.0	Supply of news services to broadcasters in the UK and elsewhere
Mammoth Screen Limited	**25.0**	25.0	Production of scripted content
Tomorrow ITV Studios [1]	**–**	–	Production of scripted content
Indigenous Media [2]	**–**	–	Production of content for digital distribution
Fixed asset investments			
Believe Entertainment [3]	**–**	–	Production of content for digital distribution
Zealot Networks [4]	**–**	–	Digital-first media company

1. 25% preferred interest.
2. 14.7% preferred interest.
3. 5.2% preferred interest
4. 6% preferred interest.

Financial Statements

Section 3: Operating Assets and Liabilities continued

3.6 Provisions

Keeping it simple . . .

A provision is recognised by the Group where an obligation exists relating to events in the past and it is probable that cash will be paid to settle it.

A provision is made where the Group is not certain how much cash will be required to settle a liability, so an estimate is required. The main estimates relate to the cost of holding properties that are no longer in use by the Group, the likelihood of settling legal claims and contracts the Group has entered into that are now unprofitable.

Accounting policies

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

Provisions

The movements in provisions during the year are as follows:

	Contract provisions £m	Restructuring provisions £m	Property provisions £m	Other provisions £m	Total £m
At 1 January 2014	7	1	4	15	27
Utilised	(4)	(1)	(1)	–	(6)
At 31 December 2014	**3**	**–**	**3**	**15**	**21**

Provisions of £17 million are classified as current liabilities (2013: £19 million). Unwind of the discount is £nil in 2014 and 2013.

Contract provisions comprise onerous sports rights commitments that are expected to be utilised over the remaining contract period and onerous commitments on transmission infrastructure.

Property provisions principally relate to onerous lease contracts due to empty space created by the ongoing review and rationalisation of the Group's property portfolio. Utilisation of the provision will be over the anticipated life of the leases or earlier if exited.

Other provisions of £15 million primarily relate to potential liabilities that may arise as a result of Boxclever having been placed into administrative receivership, most of which relate to pension arrangements. In 2011 the Determinations Panel of The Pensions Regulator determined that Financial Support Directions ('FSDs') should be issued against certain companies within the Group in relation to the Boxclever pension scheme. The Group immediately referred this decision to the Upper Tribunal (thereby effectively appealing it). An FSD would require the Company to put in place financial support for the Boxclever scheme; however, it cannot be issued during the period of the reference. The reference process is ongoing and aside from procedural issues there were no substantive case developments in the period. The Directors have obtained leading counsel's opinion and extensive legal advice in connection with the proceedings and continue to believe that the provision held is appropriate.

3.7 Pensions

Keeping it simple . . .

Historically, the Group offered its employees the opportunity to participate in a number of defined benefit schemes, but these (collectively referred to as 'the Scheme') closed to new members in 2006. Since then a defined contribution pension scheme has been made available to all new employees and, where taken up, the Group makes fixed payments into a separate fund on their behalf, and has no further obligation. The risks and rewards associated with this type of scheme are assumed by the members rather than the Group. It is the members' responsibility to make investment decisions relating to their retirement benefits.

In this note we explain the accounting policies governing the Group's pension schemes, followed by analysis of the components of the net defined benefit pension deficit, including assumptions made, and where the related movements have been recognised in the financial statements. In addition, we have placed text boxes to explain some of the technical terms used in the disclosure.

Accounting policies

Defined contribution scheme

Obligations under the Group's defined contribution schemes are recognised as an operating cost in the income statement as incurred. For 2014, total contributions expensed were £14 million (2013: £8 million).

Defined benefit scheme

The Group's obligation in respect of the Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of scheme assets is then deducted. The discount rate used is the yield at the valuation date on high quality corporate bonds of a similar duration to the timing of the future expected benefit payments.

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid using the projected unit method. This method is an accrued benefits valuation method that makes allowance for projected earnings. These calculations are performed by a qualified actuary.

Actuarial gains and losses are recognised in full in the period in which they arise through the statement of comprehensive income.

Defined benefit schemes

Keeping it simple . . .

In a defined benefit scheme, members receive cash payments during retirement, the value of which is dependent on factors such as salary and length of service. The Group manages the necessary investment, mortality and inflation risks in order to meet these obligations. In the event of poor returns the Group needs to address this through a combination of increased levels of contribution or by making adjustments to the Scheme. Schemes can be funded, where regular cash contributions are made by the employer into a fund which is invested, or unfunded, where no regular money or assets are required to be put aside to cover future payments.

The Group makes contributions to the Scheme, a separate trustee-administered fund that is not consolidated in these financial statements, but is reflected on the defined benefit pension deficit line on the consolidated statement of financial position. It is the responsibility of the Trustee to manage and invest the assets of the Scheme and its funding position. The Trustee, appointed according to the terms of the Scheme's documentation, is required to act in the best interest of the members and is responsible for managing and investing the assets of the Scheme and its funding position.

The level of retirement benefit for the Scheme is principally based on pensionable salary at retirement. The latest triennial valuation of the Scheme was undertaken as at 1 January 2011 by an independent actuary appointed by the Trustee of the Scheme and agreed in 2012. The next triennial valuation will be as at 1 January 2014 and is expected to be agreed in 2015. This will drive subsequent contribution rates.

An unfunded scheme in relation to previous Directors is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. It is securitised by assets held outside of the ITV Pension Scheme in the form of gilts and included within cash and cash equivalents (see note 4.1).

The defined benefit pension deficit

The net pension deficit at 31 December 2014 was £346 million (2013: £445 million).

The assets and liabilities of the Scheme are recognised in the consolidated statement of financial position and shown within non-current liabilities. The totals recognised in the current and previous years are:

	2014 £m	2013 £m
Total defined benefit scheme obligations	**(3,687)**	(3,315)
Total defined benefit scheme assets	**3,341**	2,870
Net pension deficit	**(346)**	(445)

The remaining sections provide further detail of the value of the Scheme's assets and liabilities, how these are accounted for and the impact on the income statement.

Financial Statements

Section 3: Operating Assets and Liabilities continued

Total defined benefit scheme obligations

Keeping it simple . . .

The section below describes the key areas that impact the defined benefit obligation (the pension scheme liabilities) position at the year end. Each area can be defined as:

- Current service cost – the cost to the Group of future benefits earned by members which are attributable to the members' service in the current period. This is charged to operating costs in the income statement.
- Interest cost – future pension obligations are stated in present value, and therefore a discount factor is used to state the current worth of a future cost. This interest cost is the unwinding of the discount on the present value of the obligation. Broadly, it is determined by multiplying the discount rate at the beginning of the period by the present value of the obligation during the period. This is recognised through net financing costs in the income statement (see note 4.4).
- Actuarial gains or losses – arise from differences between the actual and expected outcome in the valuation of the obligation. These can be experience adjustments, which are differences between the assumptions made and what actually occurred, or they can result from changes in assumptions, such as movements in high quality corporate bond rates. Actuarial gains or losses are recognised through other comprehensive income.
- Benefits paid – any cash benefits paid out by the Scheme will reduce the obligation.

The movement in the present value of the Group's defined benefit obligation is analysed below:

	2014 £m	2013 £m
At 1 January	**3,315**	3,244
Current service cost	**7**	8
Interest cost	**144**	133
Actuarial loss	**366**	70
Benefits paid	**(145)**	(140)
At 31 December	**3,687**	3,315

Of the above total defined benefit obligation at 31 December 2014, £48 million relates to unfunded schemes (2013: £44 million). See note 4.1 for details.

Assumptions

Keeping it simple . . .

Assumptions used to calculate the best estimate of future cash flows to be paid out by the Scheme include: future salary levels, future pensionable salary levels, an estimate of increases in pension payments, the life expectancy of members, the effect of inflation on all these factors and ultimately the discount rate used to estimate the present day fair value of these obligations.

IFRS requires that we estimate a discount rate by reference to high quality fixed income investments in the UK that match the estimated term of the pension obligations. The discount rate has therefore been obtained using the yields available on AA rated corporate bonds over a term of 15 years (2013: 15 years), which is the Group's estimate of the weighted average term of the liabilities.

The inflation assumption has been set by looking at the difference between the yields on fixed and index-linked Government bonds. The inflation assumption is used as a basis for the remaining financial assumptions, except where caps have been implemented.

The Group takes independent actuarial advice relating to the appropriateness of the assumptions used. It is important to note that comparatively small changes in the assumptions used may have a significant effect on the consolidated income statement and statement of financial position.

The principal assumptions used in the Scheme's valuations at the year end were:

	2014	2013
Discount rate for:		
Past service liabilities	**3.50%**	4.45%
Future service liabilities	**3.70%**	4.60%
Inflation assumption for:		
Past service liabilities	**3.00%**	3.35%
Future service liabilities	**3.05%**	3.40%
Rate of pensionable salary increases	**0.9%**	0.9%
Rate of increase in pension payment (LPI[1] 5% pension increases)	**2.90%**	3.25%
Rate of increase to deferred pensions (CPI)	**2.00%**	2.35%

1. Limited Price Index

Both the discount rate and the inflation assumption have been selected by reference to yield curves with terms and cash flow weightings consistent with the pension obligations.

The table below reflects published mortality investigation data in conjunction with the results of investigations into the mortality experience of Scheme members. The assumed life expectations on retirement are:

	2014	**2014**	2013	2013
Retiring today at age	**60**	**65**	60	65
Males	**27.9**	**23.1**	27.8	23.0
Females	**30.5**	**25.6**	30.4	25.5
Retiring in 20 years at age	**60**	**65**	60	65
Males	**29.9**	**24.9**	29.8	24.8
Females	**32.5**	**27.5**	32.4	27.4

The sensitivities regarding the principal assumptions used to measure the defined benefit obligation are set out below:

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £270 million / £310 million
Rate of inflation (Retail Price Index)	Increase/decrease by 0.5%	Increase/decrease by £100 million / £90 million
Rate of inflation (Consumer Price Index)	Increase/decrease by 0.5%	Increase/decrease by £50 million / £40 million
Life expectations	Increase by one year	Increase by £100 million

The sensitivities above consider the impact of the single change shown with the other assumptions unchanged. The inflation sensitivities allow for the consequential impact on the relevant pension increase assumptions. The sensitivity analyses have been determined by extrapolating the impact on the defined benefit obligation of reasonable changes in key assumptions occurring at the end of the reporting period.

In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). Changes in the assumptions may occur at the same time as changes in the market value of scheme assets, which may or may not offset the changes in assumptions.

The sensitivity for life expectations excludes the longevity swap (see the following 'Keeping it Simple' box for the definition). It is estimated that a £75 million benefit would arise on the value of the longevity swap from a one year increase in the market-based assumption of mortality.

Financial Statements

Section 3: Operating Assets and Liabilities continued

Total defined benefit scheme assets

Keeping it simple . . .

The Scheme holds assets across a number of different classes which are managed by the Trustee, who consults with the Group on changes to its investment policy. Financial instruments are in place in order to provide protection against changes in market factors (interest rates and inflation) which could act to increase the pension deficit.

One such instrument is the longevity swap which the Scheme transacted in 2011 to obtain protection against the effect of increases in the life expectation of the majority of pensioner members at that date. Under the swap, the Trustee agreed to make pre-determined payments in return for payments to meet the specified pension obligations as they fall due, irrespective of how long the members and their dependants live. The difference in the present values of these two streams of payments is reflected in the Scheme assets. The swap has a nil valuation at inception and, using market-based assumptions, is subsequently adjusted for changes in the market life expectancy and market discount rates.

Defined benefit scheme assets are measured at their fair value and can change due to the following:

- Interest income on scheme assets – this is determined by multiplying the fair value of the Scheme assets by the discount rate, both taken as of the beginning of the year. This is recognised through net financing costs in the income statement.
- Return on assets arise from differences between the actual return and interest income on Scheme assets and are recognised through other comprehensive income.
- Employer's contributions are paid into the Scheme to be managed and invested.
- Benefits and administrative expenses paid out by the Schemes will lower the fair value of the Scheme's assets.

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

	2014 £m	2013 £m
Fair value of Scheme assets at 1 January	**2,870**	2,693
Interest income on Scheme assets	**128**	113
Return on assets, excluding interest income	**390**	118
Employer contributions	**103**	91
Benefits paid	**(145)**	(140)
Administrative expenses paid	**(5)**	(5)
Fair value of Scheme assets at 31 December	**3,341**	2,870

The actual return on the Scheme's assets, being the sum of the interest income on Scheme assets and return on Scheme assets, for the year ended 31 December 2014 was an increase of £518 million (2013: increase of £231 million).

At 31 December 2014 the Scheme's assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the Scheme's assets are shown in the following table by major category.

	Market value 2014 £m	Market value 2013 £m
Quoted equities	**654**	747
Quoted bonds *	**2,329**	1,711
Total quoted assets	**2,983**	2,458
Property	**51**	49
Infrastructure	**77**	65
Hedge funds/alternatives	**183**	165
Insurance policies	**42**	38
Cash and cash equivalents	**50**	110
Other	**22**	8
Longevity swap fair value	**(67)**	(23)
Total unquoted assets	**358**	412
Total Scheme assets	**3,341**	2,870

* Quoted bonds include interest rate and inflation swaps.

Included in the above are overseas assets of £1,218 million (2013: £872 million), comprised of equities of £569 million (2013: £576 million) and bonds of £649 million (2013: £296 million).

When selecting the mix of assets to hold, and considering their related risks and returns, the Trustee will weigh up the variability of returns against the target long-term rate of return on the overall portfolio.

Amounts recognised through the income statement

Amounts recognised through the income statement in the various captions are as follows:

	2014 £m	2013 £m
Amount charged to operating costs:		
Current service cost	**(7)**	(8)
Scheme administration expenses	**(5)**	(5)
	(12)	(13)
Amount charged to net financing costs:		
Net interest on defined benefit obligation	**(16)**	(20)
Total charged in the consolidated income statement	**(28)**	(33)

Amounts recognised through the consolidated statement of comprehensive income

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

	2014 £m	2013 £m
Remeasurement gains and (losses):		
Return on scheme assets excluding interest income	**390**	118
Actuarial losses on liabilities arising from change in:		
— demographic assumptions	**–**	(66)
— financial assumptions	**(402)**	(4)
— updated valuation data	**36**	–
	(366)	(70)
Total recognised in the consolidated statement of comprehensive income	**24**	48

The £366 million actuarial loss on the Scheme's liabilities was principally due to a material fall in bond yields over the year, which has resulted in a large increase in the liabilities. The £390 million gain on the Scheme's assets primarily results from increases in the market values of gilts and swaps, which has led to assets outperforming expectations.

Addressing the net pension deficit

Keeping it simple . . .

The Group works closely with the Trustee to agree appropriate levels of funding for the Scheme. This involves agreeing a Schedule of Contributions at each triennial valuation, setting out the annual deficit payments to be made by the Group. A recovery plan setting out the steps that would be taken to address a funding shortfall is also agreed.

In the event that the Group's defined benefit scheme is in a net liability position, the Directors must take steps to manage the size of the deficit. Apart from the funding agreements mentioned above, this could involve pledging additional assets to the Scheme, as was the case in the SDN and London Television Centre ('LTVC') pension funding partnerships (explained below).

The levels of ongoing contributions to the Scheme are based on the current service costs (as assessed by the Scheme Trustee) and the expected future cash flows of the Scheme. Normal employer contributions in 2015 for current service are expected to be in the region of £11 million (2014: £10 million) assuming current contribution rates continue as agreed with the Trustee.

The Group's deficit funding contributions to Sections A, B and C will be reviewed following the result of the 2014 triennial valuation, expected in Q2 2015. The 2015 deficit payments are not expected to exceed those made in 2014.

Under the SDN pension partnership, set up in 2010, the Group has agreed to make deficit payments of £11 million for 12 years from 2011. The LTVC partnership, established in March 2014, commits the Group to an annual deficit payment of £2 million in 2015, increasing by 5% per annum until 2038.

Financial Statements

Section 4: Capital Structure and Financing Costs

In this section . . .

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of ITV, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group, as seen through the repurchase of the bilateral loan during the year. Any potential courses of action will take into account the Group's liquidity needs, flexibility to invest in the business, pension deficit initiatives and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

In 2014, a Tax and Treasury committee was established, acting under delegated authority from the Board, in order to approve certain financial transactions and to monitor compliance with the Group's tax and treasury policies.

4.1 Net cash

Keeping it simple . . .

Net cash is the Group's key measure used to evaluate total cash resources net of the current outstanding debt.

Adjusted net debt is also monitored by the Group and more closely reflects how credit agencies see the Group's gearing. To arrive at the adjusted net debt amount, we add our total expected contingent payments on acquisitions, our IAS 19 pension deficit and our undiscounted operating lease commitments. A full analysis and discussion of adjusted net debt is included in the Financial and Performance Review.

In defining total outstanding debt the Directors consider it appropriate to include the currency impact of swaps held against specific debt instruments.

The tables below analyse movements in the components of net cash during the year:

	1 January 2014 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	**31 December 2014 £m**
Cash	438	(199)	(5)	**234**
Cash equivalents	80	(17)	–	**63**
Total cash and cash equivalents	518	(216)	(5)	**297**
Loans and facilities due within one year	(41)	41	(78)	**(78)**
Finance leases due within one year	(21)	21	(7)	**(7)**
Loans and facilities due after one year	(301)	62	78	**(161)**
Finance leases due after one year	(17)	–	7	**(10)**
Total debt	(380)	124	–	**(256)**
Currency component of swaps held against euro denominated bonds	26	(26)	–	**–**
Net cash	164	(118)	(5)	**41**

	1 January 2013 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	31 December 2013 £m
Cash	602	(164)	–	438
Cash equivalents	88	(8)	–	80
Total cash and cash equivalents	690	(172)	–	518
Held to maturity investments	145	(145)	–	–
Loans and facilities due within one year	–	–	(41)	(41)
Finance leases due within one year	(7)	7	(21)	(21)
Loans and facilities due after one year	(594)	200	93	(301)
Finance leases due after one year	(38)	–	21	(17)
Total debt	(639)	207	52	(380)
Currency component of swaps held against euro denominated bonds	25	–	1	26
Convertible bond equity component	(22)	11	11	–
Amortised cost adjustment	7	–	(7)	–
Net cash	206	(99)	57	164

Cash and cash equivalents

Included within cash equivalents is £16 million (2013: £36 million), the use of which is restricted to meeting finance lease commitments under programme sale and leasebacks (see note 4.2), and gilts of £39 million (2013: £36 million) in respect of which a charging deed was executed on the unfunded pension commitments of four former Granada executives. Legal action has commenced to try and remove the charge.

The Group operates an intra-group cash pool policy with certain 100% owned UK subsidiaries. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to nil via daily bank transfers to/from ITV plc.

Loans and facilities due within one year

The unsecured £78 million Eurobond, which has a coupon of 5.375% and a maturity of October 2015 was reclassified to current borrowings.

In June 2014 the unsecured £41 million (€50 million) Eurobond matured, resulting in a net payment by the Group of £15 million, after settlement of the Group's related outstanding cross-currency interest rate swaps.

Loans and loan notes due after one year

The Group has one loan that is repayable between two and five years as at 31 December 2014. The unsecured £161 million Eurobond matures in January 2017 and has a coupon of 6.125%.

In January 2014 the Group repurchased the remaining principal of £62 million on the 2019 bilateral loan for a cash cost of £95 million. The repurchase is expected to result in future cash savings of £44 million. The loss arising on settlement of £30 million has been included in net financing costs (note 4.4) but excluded from adjusted profit for the year.

In 2013 £138 million of the 2019 bilateral loan was repaid from cash and the held to maturity gilts secured against the loan. The Group also settled a £135 million convertible bond, through a combination of repurchase and redemption. The settlements resulted in a combined loss of £61 million in net financing costs, and a net loss attributable to the equity component of the bond of £74 million.

Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.2 Borrowings and finance leases

Keeping it simple . . .

The Group borrows money from financial institutions in the form of bonds, bank facilities and other financial instruments. The interest payable on these instruments is shown in the net financing costs note in note 4.4.

There are Board-approved policies in place to manage the Group's financial risks. Macroeconomic market risks, which impact currency transactions and interest rates, are discussed in note 4.3. Credit and liquidity risks are discussed below.

- Credit risk: the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations; and
- Liquidity risk: the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group is required to disclose the fair value of its debt instruments. Here, fair value is the amount the Group would pay to transfer the liability. It is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. This calculation of fair value is consistent with instruments valued under level 2 in note 4.6.

Accounting policies

Borrowings

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

Finance leases

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

Managing credit and liquidity risk

Credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of derivative financial assets (see note 4.3), trade receivables (see note 3.1.4), and cash and cash equivalents (note 4.1).

Trade and other receivables

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

Cash

The Group operates investment guidelines with respect to surplus cash that emphasise preservation of capital. The guidelines set out procedures and limits on counterparty risk and maturity profile of cash placed. Counterparty limits for cash deposits are largely based upon long-term ratings published by the major credit rating agencies and perceived state support. Deposits up to £50 million which are longer than 12 months require the approval of the Tax and Treasury Committee, while greater amounts require approval of the Board.

Borrowings

ITV is rated as investment grade by Moody's and S&P. ITV's credit ratings, the cost of credit default swap hedging and the absolute level of interest rates are key determinants in the cost of new borrowings for ITV. The cost of existing borrowing remains fixed, except for the revolving credit facility which has floating rate conditions.

Liquidity risk

The Group's financing policy is to fund itself for the medium to long-term by using debt instruments with a range of maturities and to ensure access to appropriate short-term bank facilities. Long-term funding comes from the UK and European Capital markets, while any short to medium-term debt requirements are provided through bank credit facilities totalling £775 million (see below). Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn bank facilities and cash and cash equivalents) on the basis of expected cash flows. This monitoring includes financial ratios to assess possible future credit ratings and headroom and takes into account the accessibility of cash and cash equivalents. In April 2014 the Group signed a new Revolving Credit Facility ('RCF') with a group of relationship banks, replacing the previous RCF disclosed at 31 December 2013. The new RCF is a £525 million committed facility with leverage and interest cover financial covenants, and matures in 2019. The arrangement fee was determined based on prevailing market rates when the facility was signed. In addition, the Group has arranged £250 million of financial covenant free financing which runs for three to seven years. All of these facilities were undrawn at 31 December 2014 (2013: no drawings).

Fair value versus book value

The tables below provide fair value information for the Group's borrowings:

		Book value		Fair value	
	Maturity	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Loans due within one year					
£78 million Eurobond	Oct 2015	**78**	78	**81**	83
Loans due in more than one year					
£161 million Eurobond	Jan 2017	**161**	161	**173**	179
Loans settled or matured in the period					
€50 million Eurobond	June 2014	**–**	41	**–**	43
£62 million loan (previously £200 million loan)	Mar 2019	**–**	62	**–**	95
		239	342	**254**	400

Movements in book values of the 2014 Eurobond and 2019 bilateral loans are the result of buybacks and maturities in the period.

Finance leases

The following table analyses when finance lease liabilities are due for payment:

	Minimum lease payments £m	**Interest £m**	**2014 Principal £m**	Minimum lease payments £m	Interest £m	2013 Principal £m
In one year or less	**8**	**1**	**7**	22	1	21
In more than one year but not more than five years	**10**	**–**	**10**	18	1	17
	18	**1**	**17**	40	2	38

Finance leases principally comprise programmes under sale and leaseback arrangements. The net book value of tangible assets held under finance leases at 31 December 2014 was £1 million (2013: £1 million).

Section 4: Capital Structure and Financing Costs continued

4.3 Managing market risks: derivative financial instruments

Keeping it simple . . .

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

The Group is exposed to certain market risks, principally to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its foreign currency transactions, profits and net assets. In accordance with Board approved policies, which are detailed in this note, the Group manages these risks by using derivative financial instruments to hedge these underlying exposures.

The key market risks facing the Group are:

- Currency risk arising from:
  - i. translation risk, that is, the risk of adverse currency fluctuations in the translation of foreign currency profits, assets and liabilities ('balance sheet risk') and non-functional currency monetary assets and liabilities into sterling ('income statement risk'); and
  - ii. transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Group's trading cash flows in various currencies.
- Interest rate risk to the Group arises from significant changes in interest rates. Borrowings issued at or swapped to floating rates expose the Group to interest rate risk.

The Group mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk arising from short term intercompany loans denominated in a foreign currency;
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date; and
- Interest rate swaps are derivative instruments that exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another, and are used to manage interest rate risk.

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

Accounting policies

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the income statement within net financing costs, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of a cash flow hedge is recognised in OCI and presented in the hedging reserve within equity. The cumulative gain or loss is later reclassified to the income statement in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

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

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

Managing currency and interest rate risk

Currency risk

As the Group expands its international operations, the performance of the business becomes increasingly sensitive to movements in foreign exchange rates, primarily with respect to the US dollar and the euro.

The Group's foreign exchange policy is to use forward foreign exchange contracts to hedge material foreign currency denominated costs or revenue at the time of commitment for up to five years forward and to hedge a proportion of highly probable foreign currency denominated costs or revenue on a rolling 18-month basis. From 2014, the Group has started to apply hedge accounting for certain foreign exchange hedge contracts.

The Group ensures that its net exposure to foreign currency denominated cash balances is kept to a minimal level by using foreign currency swaps to exchange balances back into sterling or by buying or selling foreign currencies at spot rates when necessary.

The Group also utilises foreign exchange swaps both to manage foreign currency cash flow timing differences and to hedge foreign currency denominated monetary items.

The Group's net investments in overseas subsidiaries may be hedged where the currency exposure is considered to be material. In 2014 no such hedges were entered into (2013: none).

The following table highlights the Group's sensitivity to a 10% strengthening/weakening in sterling against the US dollar and euro, assuming all other variables are held constant:

	2014 – post-tax profit	**2014 – equity**	2013 – post-tax profit	2013 – equity
US dollar	**£8 million**	**£34 million**	£8 million	£17 million
Euro	**£8 million**	**£29 million**	£7 million	£15 million

Interest rate risk

Between 2011 and 2014 the Group's interest rate policy has been to have 100% of its borrowings at fixed rates in order to lock in low interest rates. This policy was amended in 2014 to allow fixed rate gross debt to vary between 20% and 100% of total gross debt to accommodate floating rate borrowings under the new revolving credit facility. At 31 December 2014 the Group's fixed rate debt represented 100% of total debt.

At 31 December 2014, if interest rates had increased/decreased by 1%, post-tax profit for the year would have been £2 million higher/lower (2013: £4 million).

For financial assets and liabilities classified at fair value through profit or loss, the movements in the year relating to changes in fair value and interest are not separated.

Derivative financial instruments

The following table shows the fair value of derivative financial instruments analysed by type of contract. Interest rate swap fair values exclude accrued interest.

	Assets £m	**2014 Liabilities £m**
Current		
Interest rate swaps – fair value through profit or loss	**11**	**(9)**
Cash flow hedges	**–**	**(3)**
Non-current		
Interest rate swaps – fair value through profit or loss	**16**	**(11)**
Cash flow hedges	**–**	**(1)**
	27	**(24)**

	Assets £m	2013 Liabilities £m
Current		
Interest rate swaps – fair value through profit or loss	32	(6)
Cash flow hedges	–	–
Non-current		
Interest rate swaps – fair value through profit or loss	41	(27)
Cash flow hedges	–	–
	73	(33)

Financial Statements

Section 4: Capital Structure and Financing Costs continued

On issuing the 2015 and 2017 Eurobonds, the Group entered into a portfolio of fixed to floating interest rate swaps and then subsequently overlaid a portfolio of floating to fixed interest rate swaps with the result that interest is now 100% fixed on these borrowings. The timing of entering into these swaps locked in an interest benefit for the Group, resulting in a net mark-to-market gain on the portfolio.

Forward foreign exchange contracts are primarily used to hedge the Group's foreign currency firm commitments and highly probable forecast payments and receipts.

Cash flow hedges

In the year, the Group implemented hedge accounting for certain foreign currency firm commitments, where the relevant cash flows are payable within the next two years. In order to fix the sterling cash outflows associated with the commitments – which are denominated in AUD or euros – the Group has taken out forward foreign exchange contracts for the same foreign currency amount and maturity date as the expected foreign currency outflow. The amount recognised in OCI during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was no ineffective portion taken to the income statement, nor were there any cumulative gains or losses recycled to the income statement in the year (nil in 2013).

Undiscounted financial liabilities

Keeping it simple . . .

The Group is required to disclose the expected timings of cash outflows for each of its financial liabilities (including derivatives). The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the statement of financial position.

At 31 December 2014	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Borrowings	**(357)**	**(100)**	**(16)**	**(175)**	**(66)**
Trade and other payables	**(726)**	**(699)**	**(23)**	**(4)**	**–**
Other payables – non-current	**(4)**	**–**	**(3)**	**(1)**	**–**
Other payables – commitments on acquisitions	**(96)**	**–**	**(9)**	**(81)**	**(6)**
Derivative financial instruments					
Interest rate swaps	**20**	**10**	**3**	**7**	**–**
Foreign exchange forward contracts	**(4)**	**(2)**	**(2)**	**–**	**–**
	(1,167)	**(791)**	**(50)**	**(254)**	**(72)**

At 31 December 2013	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Borrowings	(483)	(92)	(108)	(216)	(67)
Trade and other payables	(744)	(702)	(31)	(10)	(1)
Other payables – non-current	(1)	–	–	(1)	–
Other payables – commitments on acquisitions	(97)	–	(4)	(75)	(18)
Derivative financial instruments					
Interest rate swaps	55	37	9	9	–
	(1,270)	(757)	(134)	(293)	(86)

4.4 Net financing costs

Keeping it simple . . .

This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial liabilities.

In reporting 'adjusted profit', the Group adjusts net financing costs to exclude mark-to-market movements on interest rate and foreign exchange derivatives, gains/losses on bond buybacks, net pension interest, interest and fair value movements in acquisition-related liabilities and other financing costs.

Read more on our rationale for adjustments made to financing costs in the Financial and Performance Review.

Accounting policies

Net financing costs comprise interest income on funds invested, gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings and finance leases, unwinding of the discount on provisions, unwinding of the discount on liabilities to non-controlling interest, foreign exchange gains/losses, and imputed interest on pension assets and liabilities. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Net financing costs

Net financing costs can be analysed as follows:

	2014 £m	2013 £m
Financing income:		
Interest income	**4**	7
Change in fair value of instruments classified at fair value through profit or loss	**–**	3
Foreign exchange gain	**1**	–
Other finance income	**17**	–
	22	10
Financing costs:		
Interest expense on financial liabilities measured at amortised cost	**(19)**	(29)
Net pension interest (see note 3.7)	**(17)**	(20)
Losses on early settlement	**(30)**	(61)
Foreign exchange loss	**–**	(1)
Other finance expense	**(7)**	(14)
	(73)	(125)
Net financing costs	**(51)**	(115)

As detailed in note 4.1, losses on early settlement of £30 million (2013: £61 million) were incurred as a result of the remaining repurchase of the £62 million 2019 bilateral loan.

Interest on financial liabilities relates to the interest incurred on the Group's borrowings in the year.

Other finance income primarily relates to acquisition-related contingent liabilities, where estimates of the future performance against stretch targets is reassessed, resulting in adjustments to the related put option liabilities and contingent consideration are required. Other finance expense includes the amortisation of facility commitment and upfront fees.

Read more on our financing costs in the **Financial and Performance Review** on **page 45**.

Section 4: Capital Structure and Financing Costs continued

4.5 Fair value hierarchy

Keeping it simple . . .

The financial instruments included on the ITV statement of financial position are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective, and can depend on the inputs used in the calculations. ITV generally uses external valuations using market inputs or market values (e.g. external share prices). The different valuation methods are called 'hierarchies' and are described below.

The tables below set out the financial instruments included on the ITV statement of financial position at 'fair value'.

	Fair value 31 December 2014 £m	**Level 1 31 December 2014 £m**	**Level 2 31 December 2014 £m**	**Level 3 31 December 2014 £m**
Assets measured at fair value				
Available for sale financial instruments				
Available for sale gilts	**39**	**39**	**–**	**–**
Financial assets at fair value through profit or loss				
Contingent consideration	**32**	**–**	**–**	**32**
Interest rate swaps	**27**	**–**	**27**	**–**
	98	**39**	**27**	**32**

	Fair value 31 December 2014 £m	**Level 1 31 December 2014 £m**	**Level 2 31 December 2014 £m**	**Level 3 31 December 2014 £m**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Interest rate swaps	**(20)**	**–**	**(20)**	**–**
Contingent consideration	**(3)**	**–**	**–**	**(3)**
Financial liabilities at fair value through reserves				
Cash flow hedges	**(4)**	**–**	**(4)**	**–**
	(27)	**–**	**(24)**	**(3)**

	Fair value 31 December 2013 £m	Level 1 31 December 2013 £m	Level 2 31 December 2013 £m	Level 3 31 December 2013 £m
Assets measured at fair value				
Available for sale financial instruments				
Available for sale gilts	36	36	–	–
Financial assets at fair value through profit or loss				
Interest rate swaps	73	–	73	–
	109	36	73	–

	Fair value 31 December 2013 £m	Level 1 31 December 2013 £m	Level 2 31 December 2013 £m	Level 3 31 December 2013 £m
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Interest rate swaps	(33)	–	(33)	–
Contingent consideration	(7)	–	–	(7)
	(40)	–	(33)	(7)

Level 1
Fair values are measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Fair values are measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.

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

Level 3
Fair values are measured using inputs for the asset or liability that are not based on observable market data.

Contingent consideration is the Group's only financial instrument classified as Level 3 in the fair value hierarchy. As noted in the accounting policy section of note 3.3, the key assumptions taken into consideration when measuring this acquisition-related liability are the performance expectations of the acquisition and a discount rate that reflects the size and nature of the new business. There is no reasonable change in discount rate or performance targets that would give rise to a material change in the liability at year end.

The table below summarises the key movement in the contingent consideration during the year.

	Asset 2014 £m	**Liability 2014 £m**	Asset 2013 £m	Liability 2013 £m
At 1 January	**–**	**(7)**	–	(1)
Acquisitions (see note 3.4)	**30**	**(1)**	–	(6)
Changes in estimates (income statement)	**–**	**5**	–	–
Currency translation	**2**	**–**	–	–
At 31 December	**32**	**(3)**	–	(7)
Current	**–**	**–**	–	–
Non-current	**32**	**(3)**	–	(7)
At 31 December	**32**	**(3)**	–	(7)

Changes in estimates, including the unwind of interest and fair value movements, are recognised in net financing costs.

4.6 Equity

Keeping it simple . . .

This section explains material movements recorded in shareholders' equity that are not explained elsewhere in the financial statements. The movements in equity and the balance at 31 December 2014 are presented in the consolidated statement of changes in equity.

Accounting policies

Available for sale reserve

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

Dividends

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

4.6.1 Share capital and share premium

The Group's share capital at 31 December 2014 of £403 million (2013: £403 million) and share premium of £174 million (2013: £174 million) is the same as that of ITV plc. Details of this are given in the ITV plc Company financial statements section of this annual report.

Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.6.2 Merger and other reserves

Merger and other reserves at 31 December 2014 include the following reserves:

	2014 £m	2013 £m
Merger reserves	**119**	119
Capital reserves	**112**	112
Capital redemption reserves	**36**	36
Revaluation reserves	**6**	6
Put option liabilities arising on acquisition of new subsidiaries	**(45)**	(25)
Total	**228**	248

The £20 million increase in liabilities on the put options for the acquisition of new subsidiaries relates to the non-controlling interests of Leftfield Entertainment and DiGa Vision, as detailed in note 3.4.

4.6.3 Translation reserve

The translation reserve comprises:

- all foreign exchange differences arising on the translation of the accounts of, and investments in, foreign operations;
- the gains or losses on the portion of cash flow hedges that have been deemed effective (see note 4.3).

4.6.4 Available for sale reserve

The available for sale reserve comprises all movements arising on the revaluation of gilts accounted for as available for sale.

4.6.5 Retained earnings

The retained earnings reserve comprises profit for the year attributable to owners of the Company of £466 million (2013: £326 million) and other items recognised directly through equity as presented in the consolidated statement of changes in equity. Other items include the credit for the Group's share-based compensation schemes and the charge for the purchase of ITV shares via the ITV Employees' Benefit Trust, which are described in note 4.7.

The Directors of ITV plc propose a final dividend of 3.3p per share and a special dividend of 6.25p per share.

4.6.6 Non-controlling interests

The movement for the year comprises:

- the fair value of the non-controlling interests acquired in the year of £20 million (2013: £13 million);
- the share of profits attributable to non-controlling interests on US acquisitions of £7 million (2013: ££4 million); and
- the distributions made to non-controlling interests of £8 million (2013: £1 million).

4.7 Share-based compensation

Keeping it simple . . .

The Group utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes.

A transaction will be classed as share-based compensation where the Group receives services from employees and pays for these in shares or similar equity instruments. If the Group incurs a liability whose amount is based on the price or value of the Group's shares then this will also fall under a share-based transaction.

A description of each type of share-based payment arrangement that existed at any time during the period are set out in the Annual Remuneration Report.

Read more on each of the Group's share award schemes in the **Annual Remuneration Report and Remuneration Policy** on **pages 82 to 99.**

Accounting policies

For each of the Group's share-based compensation schemes, the fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the income statement with a corresponding increase in equity.

The fair value of the share options and awards is measured using either market price at grant date or, for the Save as you Earn scheme, a Black–Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant Group performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. Based on this number, and the option fair values, their present value is determined. At each reporting date, the Group revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust.

Share-based compensation charges totalled £14 million in 2014 (2013: £14 million).

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	Number of options ('000)	**2014 Weighted average exercise price (pence)**	Number of options ('000)	2013 Weighted average exercise price (pence)
Outstanding at 1 January	**67,676**	**14.52**	68,387	11.06
Granted during the year – nil priced	**8,594**	**–**	12,726	–
Granted during the year – other	**5,999**	**162.86**	13,371	126.97
Forfeited during the year	**(1,381)**	**28.67**	(4,900)	7.69
Exercised during the year	**(27,860)**	**9.02**	(21,385)	5.97
Expired during the year	**(1,095)**	**12.94**	(523)	51.51
Outstanding at 31 December	**51,933**	**32.97**	67,676	14.52
Exercisable at 31 December	**1,129**	**14.47**	846	–

For those options exercised in the year, the average share price during 2014 was 198.01 pence (2013: 150.44 pence).

Of the options still outstanding, the range of exercise prices and weighted average remaining contractual life of these options can be analysed as follows:

Range of exercise prices (pence)	**Weighted average exercise price (pence)**	**Number of options ('000)**	**2014 Weighted average remaining contractual life (years)**	Weighted average exercise price (pence)	Number of options ('000)	2013 Weighted average remaining contractual life (years)
Nil	**–**	**36,522**	**1.75**	–	44,439	1.88
20.00 – 49.99	**35.61**	**1,120**	**0.53**	31.09	2,960	1.29
50.00 – 69.99	**67.37**	**5,123**	**1.11**	67.38	5,399	2.11
70.00 – 99.99	**73.58**	**303**	**1.90**	73.58	1,639	1.31
100.00 – 109.99	**102.59**	**1,733**	**2.16**	102.59	1,899	3.16
110.00 – 119.99	**–**	**–**	**–**	–	–	–
120.00 – 149.99	**131.44**	**1,251**	**2.52**	131.44	11,339	3.20
150.00 – 199.99	**163.72**	**5,881**	**2.80**	–	–	–

Financial Statements

Section 4: Capital Structure and Financing Costs continued

Assumptions

DSA, LTIP and PSP options are valued directly by reference to the share price at date of grant. The options for the SAYE scheme, an HMRC approved SAYE scheme, are valued using the Black–Scholes model, using the assumptions below:

Scheme name	Date of grant	Share price at grant (pence)	Exercise price (pence)	Expected volatility %	Expected life (years)	Gross dividend yield %	Risk-free rate %	Fair value (pence)
3 Year	5 April 2013	121.00	102.59	36.00	3.25	2.89	0.31	31.40
5 Year	5 April 2013	121.00	102.59	49.00	5.25	2.89	0.72	46.08
3 Year	10 Sept 2013	183.40	131.44	34.00	3.25	1.91	1.04	62.85
5 Year	10 Sept 2013	183.40	131.44	47.00	5.25	1.91	1.80	84.32
3 Year	3 April 2014	195.50	159.68	32.00	3.25	2.15	1.27	53.78
5 Year	3 April 2014	195.50	159.68	38.00	5.25	2.15	1.94	70.41
3 Year	10 Sept 2014	212.40	165.33	29.00	3.25	1.98	1.30	61.14
5 Year	10 Sept 2014	212.40	165.33	34.00	5.25	1.98	1.81	74.29

Employees' Benefit Trust

The Group has investments in its own shares as a result of shares purchased by the ITV Employees' Benefit Trust ('EBT'). Transactions with the Group-sponsored EBT are included in these financial statements and primarily consist of the EBT's purchases of shares in ITV plc, which are accounted for as a reduction to retained earnings.

The table below shows the number of ITV plc shares held in the EBT at 31 December 2014 and the purchases/(releases) from the EBT made in the year to satisfy awards under the Group's share schemes:

Scheme	Shares held at	Number of shares (released)/ purchased	Nominal value £
	1 January 2014	21,777,453	2,177,745
DSA releases		(4,309,330)	
PSP releases		(9,954,677)	
SAYE releases		(3,292,458)	
Shares purchased		18,261,759	
	31 December 2014	**22,482,747**	**2,248,275**

The total number of shares held by the EBT at 31 December 2014 represents 0.56% (2013: 0.54%) of ITV's issued share capital. The market value of own shares held at 31 December 2014 is £48 million (2013: £42 million).

The shares will be held in the EBT until such time as they may be transferred to participants of the various Group share schemes. Rights to dividends have been waived by the EBT in respect of shares held which do not relate to restricted shares under the DSA. In accordance with the Trust Deed, the Trustees of the EBT have the power to exercise all voting rights in relation to any investment (including shares) held within that trust.

Section 5: Other Notes

5.1 Related party transactions

Keeping it simple . . .

The related parties identified by the Directors include joint ventures, associated undertakings, fixed asset investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group, we disclose the Group's transactions with those related parties during the year and any associated year end trading balances.

Related party transactions

Transactions with joint ventures and associated undertakings

Transactions with joint ventures and associated undertakings during the year were:

	2014 £m	2013 £m
Sales to joint ventures	**7**	10
Sales to associated undertakings	**10**	11
Purchases from joint ventures	**26**	27
Purchases from associated undertakings	**59**	57

The transactions with joint ventures primarily relate to sales and purchases of digital multiplex services with Digital 3&4 Limited.

Purchases from associated undertakings primarily relate to the purchase of news services from ITN.

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

The amounts owed by and to these related parties at the year end were:

	2014 £m	2013 £m
Amounts owed by associated undertakings	**48**	4
Amounts owed by pension scheme	**1**	2
Amounts owed to associated undertakings	**5**	–

Balances owed by associated undertakings largely relate to production funding advanced to Tomorrow ITV Studios and Mammoth Screen Limited.

Amounts paid to the Group's retirement benefit plans are set out in note 3.7.

Transactions with key management personnel

Key management consists of ITV plc Executive and Non-executive Directors and the ITV Management Board. Key management personnel compensation is as follows:

	2014 £m	2013 £m
Short-term employee benefits	**9**	8
Share-based compensation	**5**	5
	14	13

5.2 Contingent liabilities

Keeping it simple . . .

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items are expected to have a material effect on the Group's results or financial position.

Financial Statements

Section 5: Other Notes continued

5.3 Subsidiaries exempt from audit

Keeping it simple . . .

Certain subsidiaries of the Group can take an exemption from having an audit. Strict criteria must be met for this exemption to be taken, and it must be agreed to by the Directors of that subsidiary entity.

Listed below are subsidiaries controlled and consolidated by the Group, where the Directors have taken the exemption from having an audit of its financial statements for the year ended 31 December 2014. This exemption is taken in accordance with Companies Act s479A.

Company number	Company name
1891539	Broad Street Films Limited
2285229	Campania Limited
5078683	Carbon Media Limited
4159249	Carlton Content Holdings Limited
1692483	Carlton Finance Limited
3984490	Carlton Food Network Limited
3053908	Carlton Programmes Development Limited
3210452	Carlton Screen Advertising (Holdings) Limited
3307790	Carltonco 103
2625225	Carltonco Forty Investments
3210363	Carltonco Ninety-Six
2852812	Cosgrove Hall Films Limited
3209058	DTV Limited
3106798	Granada Media Limited
5344772	Granada Screen (2005) Limited
0733063	Granada Television Overseas Limited
1127149	ITV Breathless Limited
6914987	ITV (HC) Limited
4159213	ITV International Channels (Asia) Limited
8534385	ITV Lucan Limited
3916436	ITV News Channel Limited
5518785	Juice Music UK Limited
4201477	Morning TV Limited

ITV plc Company Financial Statements

Company Balance Sheet

As at 31 December	Note	2014 £m	2014 £m	2013 £m	2013 £m
Fixed assets					
Investments in subsidiary undertakings	iii		**1,705**		1,648
Derivative financial instruments			**17**		41
			1,722		1,689
Current assets					
Amounts owed by subsidiary undertakings		**1,441**		1,280	
Derivative financial instruments		**14**		32	
Other debtors		**20**		26	
Cash at bank and in hand and short-term deposits		**145**		319	
		1,620		1,657	
Creditors – amounts falling due within one year					
Borrowings	v	**(78)**		(41)	
Amounts owed to subsidiary undertakings		**(1,795)**		(1,342)	
Accruals and deferred income		**(19)**		(22)	
Derivative financial instruments		**(12)**		(5)	
		(1,904)		(1,410)	
Net current assets/(liabilities)			**(284)**		247
Total assets less current liabilities			**1,438**		1,936
Creditors – amounts falling due after more than one year					
Borrowings	v		**(161)**		(301)
Derivative financial instruments			**(12)**		(27)
			(173)		(328)
Net assets			**1,265**		1,608
Capital and reserves					
Called up share capital	vi		**403**		403
Share premium	vii		**174**		174
Other reserves	vii		**36**		36
Profit and loss account	vii		**652**		995
Shareholders' funds – equity			**1,265**		1,608

The accounts were approved by the Board of Directors on 4 March 2015 and were signed on its behalf by:

Ian Griffiths
Director

Notes to the ITV plc Company Financial Statements

i Accounting policies

Basis of preparation
These accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

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

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

The Company has taken advantage of the FRS 1 exemption from the requirement to prepare and disclose a cash flow statement.

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

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

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

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

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the profit and loss account within net financing costs, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of cash flow hedge is recognised in retained profits within equity. The cumulative gain or loss is later reclassified to the profit and loss account in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

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

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

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

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

ii Employees

Two (2013: two) Directors of ITV plc were employees of the Company during the year, both of whom remain at the year end. The costs relating to these Directors are disclosed in the Remuneration Report.

iii Investments in subsidiary undertakings

The principal subsidiary undertakings are listed in note xi. The balance at 31 December 2014 was £1,705 million (2013: £1,648 million). During the year, the Company increased its investment in its direct subsidiary, Carlton Communications Limited, by £57 million.

iv Amounts owed (to)/from subsidiary undertakings

The Group operates an intra-group cash pool policy with certain 100% owned UK subsidiaries. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £nil via daily bank transfers to/from ITV plc. These daily transactions create a corresponding intercompany creditor or debtor which can result in significant movements in amounts owed to and from subsidiary undertakings in the Company balance sheet.

v Borrowings

Loans repayable in less than one year

Loans repayable within one year as at 31 December 2014 comprise an unsecured £78 million Eurobond which has a coupon of 5.375% maturing in October 2015.

Loans repayable after more than one year

Loans repayable after more than one year as at 31 December 2014 comprise an unsecured £161 million Eurobond which has a coupon of 7.375% maturing in January 2017.

vi Called up share capital

	Authorised 2014 & 2013 £m	Allotted, issued and fully paid 2014 & 2013 £m
Ordinary shares of 10 pence each		
Authorised:		
8,000,000,000	800	
Allotted, issued and fully paid:		
4,025,409,194		403
Total	800	403

The Company's ordinary shares give shareholders equal rights to vote, receive dividends and to the repayment of capital.

vii Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 January 2013	391	122	58	326	897
Movement for year	12	52	(22)	669	711
At 1 January 2014	**403**	**174**	**36**	**995**	**1,608**
Retained loss for year for equity shareholders	–	–	–	(44)	(44)
Share-based compensation	–	–	–	14	14
External dividend paid	–	–	–	(313)	(313)
At 31 December 2014	**403**	**174**	**36**	**652**	**1,265**

The loss after tax for the year dealt with in the accounts of ITV plc is £44 million (2013: £996 million profit).

The profit and loss account reserves of £652 million at 31 December 2014 are all distributable.

The Company received no dividends from subsidiaries in 2014 (2013: £1,117 million).

The Directors of the Company propose a final dividend of 3.3p per share and a special dividend of 6.25p per share.

Financial Statements

Notes to the ITV plc Company Financial Statements continued

viii Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2014 of £58 million (31 December 2013: £51 million). The Company has guaranteed certain finance and operating lease obligations of subsidiary undertakings.

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items are expected to have a material effect on the Group's results or financial position.

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

ix Capital and other commitments

There are no capital commitments at 31 December 2014 (2013: none).

x Related party transactions

Transactions with key management personnel

Key management consists of ITV plc Executive Directors.

Key management personnel compensation, on an accounting basis, is as follows:

	2014 £m	2013 £m
Short-term employee benefits	**3**	3
Share-based compensation	**2**	2
	5	5

Total emoluments and gains on share options received by key management personnel in the year were:

	2014 £m	2013 £m
Emoluments	**3**	3
Gains on exercise of share options	**2**	7
Gains on release of restricted share awards	**3**	–
	8	10

xi Principal subsidiary undertakings and investments

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 31 December 2014, all of which are wholly owned (directly or indirectly) and incorporated and registered in England and Wales except where stated, are:

Name	Principal activity
ITV Broadcasting Limited	Broadcast of television programmes
ITV Network Limited	Scheduling and commissioning of television programmes
ITV Rights Limited	Rights ownership
ITV2 Limited	Operation of digital television channels
ITV Digital Channels Limited	Operation of digital television channels
ITV Consumer Limited	Development of platforms, broadband, transactional and mobile services
SDN Limited	Operation of Freeview Multiplex A
ITV Studios Limited	Production of television programmes
ITV Studios, Inc.[1]	Production of television programmes
ITV Global Entertainment Limited	Rights ownership and distribution of television programmes and films
ITV Services Limited	Provision of services for other companies within the Group
Carlton Communications Limited	Holding company
Leftfield Entertainment, Inc.[1,2]	Production of television programmes

1. Incorporated and registered in the USA.
2. 80% owned.

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

Principal joint ventures, associated undertakings and investments

The Company indirectly held at 31 December 2014 the following interests in significant joint ventures, associates and investments:

Name	**Interest in ordinary share capital 2014 %**	Interest in ordinary share capital 2013 %	Principal activity
Joint ventures			
Freesat (UK) Limited	**50.0**	50.0	Provision of a standard and high definition enabled digital satellite proposition
Digital 3 & 4 Limited	**50.0**	50.0	Operates the Channel 3 & 4 digital terrestrial multiplex
Associates			
Independent Television News Limited (ITN)	**40.0**	40.0	Supply of news services to broadcasters in the UK and elsewhere
Mammoth Screen Limited	**25.0**	25.0	Production of scripted content
Tomorrow ITV Studios [1]	**–**	–	Production of scripted content
Indigenous Media [2]	**–**	–	Production of content for digital distribution
Fixed asset investments			
Believe Entertainment [3]	**–**	–	Production of content for digital distribution
Zealot Networks [4]	**–**	–	Digital-first media company

1. 25% preferred interest.
2. 14.7% preferred interest.
3. 15.2% preferred interest.
4. 6% preferred interest.

Pictured:
DCI Banks returned for its third series in 2014. It averaged 7.1 million viewers and a 24% share, making it the most successful series of the show to date.

Shareholder Information

Shareholder Information

Financial Record

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Results					
Revenue	**2,590**	2,389	2,196	2,140	2,064
Earnings before interest, tax and amortisation (EBITA) before exceptional items	**730**	620	513	462	408
Amortisation of intangible assets	**(67)**	(66)	(57)	(59)	(63)
Impairment of intangible assets	**–**	–	(3)	–	–
Share of losses of joint ventures and associated undertakings	**–**	(2)	(1)	(2)	(3)
Exceptional items	**(7)**	(2)	(12)	1	19
Profit before interest and tax	**656**	550	440	402	361
Net financing costs	**(51)**	(115)	(106)	(75)	(75)
Profit before tax	**605**	435	334	327	286
Taxation charge	**(132)**	(105)	(77)	(79)	(16)
Profit after tax	**473**	330	257	248	270
Non-controlling interests	**(7)**	(4)	(1)	(1)	(1)
Profit for the financial year	**466**	326	256	247	269
Basic earnings per share	**11.6p**	8.3p	6.6p	6.4p	6.9p
Adjusted earnings per share	**13.8p**	11.2p	9.1p	7.9p	6.4p
Dividend per share	**3.3p**	3.5p	2.6p	1.6p	–
Special dividend per share	**6.25p**	4.0p	4.0p	–	–
Consolidated statement of financial position					
Share capital	**403**	403	391	389	389
Reserves	**611**	455	426	417	272
Total equity attributable to equity shareholders of the parent company	**1,014**	858	817	806	661
Non-controlling interests	**50**	31	15	3	2
Net assets	**1,064**	889	832	809	663
Represented by:					
Property, plant and equipment and intangible assets	**1,377**	1,213	1,094	1,101	1,120
Investments	**14**	4	9	5	5
Distribution rights	**13**	10	17	11	12
Inventory	**367**	322	252	285	284
Trade and other receivables (including assets held for sale and derivative financial instruments)	**436**	449	479	475	511
Deferred tax asset	**43**	52	93	65	73
Total assets	**2,250**	2,050	1,944	1,942	2,005
Net cash/(debt)	**41**	164	206	45	(188)
Deferred tax liability	**–**	–	–	–	–
Other liabilities	**(1,206)**	(1,298)	(1,281)	(1,145)	(1,105)
Provisions	**(21)**	(27)	(37)	(33)	(49)
	1,064	889	832	809	663

Shareholder Information

Shareholder profile

Information as at 31 December 2014	Holders Number	%	Shares held Millions	%
Type of holder:				
Insurance companies	5	0.01	0	0.00
Banks and nominee companies	2,792	4.82	3,858	95.83
Individuals	53,766	92.81	118	2.93
Others	1,368	2.36	50	1.24
Totals	**57,931**	**100**	**4,026**	**100**

	Holders Number	%	Shares held	%
Size of holding:				
1 – 100	9,703	16.75	342,567	0.01
101 – 200	7,820	13.50	1,173,832	0.03
201 – 500	14,751	25.46	4,779,374	0.12
501 – 1,000	9,345	16.13	6,839,050	0.17
1,001 – 2,000	7,160	12.36	10,312,189	0.26
2,001 – 5,000	5,066	8.75	15,782,502	0.40
5,001 – 10,000	1,759	3.04	12,475,502	0.31
10,001 – 50,000	1,300	2.24	26,494,263	0.66
50,001 – 100,000	205	0.35	14,519,710	0.36
100,001 – 500,000	335	0.58	85,237,666	2.12
500,001 – 1,000,000	141	0.24	102,507,496	2.55
1,000,001 – 5,000,000	218	0.38	515,531,303	12.81
5,000,001 – 10,000,000	55	0.09	385,951,569	9.59
10,000,001 – 50,000,000	57	0.10	1,228,691,404	30.52
50,000,001 and above	16	0.03	1,614,776,767	40.11
Totals	**57,931**	**100**	**4,025,409,194**	**100**

Shareholder Information continued

Registrars and transfer office

All administrative enquiries relating to shareholdings and requests to receive corporate documents should, in the first instance, be directed to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU.

They can be contacted by telephone on

0871 664 0300

(calls cost 10 pence per minute plus network charges) from the UK and

+44 20 8639 3399

from outside the UK. Lines are open Monday to Friday 9.00 a.m. to 5.30 p.m.

Alternatively you could email them at:

shareholderenquiries@capita.co.uk

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

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

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

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

Share dealing services

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

0871 664 0454

from the UK (calls cost 10 pence per minute plus network charges) or 1 890 946 375 for Ireland lo-call and +44(0) 203 367 2686 from outside the UK. Lines are open Monday to Friday 8.00 a.m. to 4.30 p.m.

www.capitadeal.com

ShareGift

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

020 7930 3737

www.sharegift.org

Share price information

The current price of ITV plc ordinary shares is available on the Company website:

www.itvplc.com

Unsolicited mail

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

FREEPOST 29 LON20771
London
W1E 0ZT

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

0845 703 4599

www.mpsonline.org.uk

mps@dma.org.uk

Registered office

The London Television Centre
Upper Ground
London
SE1 9LT

020 7157 3000

Company registration number 4967001

Company website

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

www.itvplc.com

Financial calendar

Ex-dividend date for the Final and Special dividend	30 April 015
Record date for the Final and Special dividend	1 May 2015
Annual General Meeting	14 May 2015
Interim Management Statement	14 May 2015
Payment date for the Final and Special Dividend	29 May 2015
Half year results announcement	29 July 2015

Unauthorised brokers (boiler room scams)

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

If you receive any unsolicited investment advice:

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

www.fsa.gov.uk/register/home.do

- Report the matter to the FCA either by calling their Consumer Helpline on 0800 111 6768 or by completing an online form at:

www.fca.org.uk/scams

- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

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

Keep in mind that it is very unlikely that an authorised firm that you have no relationship with would contact you out of the blue offering to buy or sell shares or offer other investment opportunities.

More detailed information can be found on the FCA website:

www.fca.org.uk

www.fca.org.uk/consumers/protect-yourself

Identity theft

Tips for protecting your ITV plc shares:

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

Shareholder Information

Glossary

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

Catch up viewing – non-live viewing of recently broadcast television programmes, either via a recording device (often called a PVR or DTR) such as Sky+ or through a Video on Demand service such as ITV Player, BBC iPlayer, 4oD or Demand 5

Channel 3 licences – the 15 regional licences and one national licence awarded to transmit Channel 3 across the UK. All are owned by ITV with the exception of three of the regional licences, two of which are owned by STV and one by UTV

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

Digital switchover – termination in 2012 of the analogue terrestrial television signal in the regions in which it is still broadcast. BBC1, BBC2, ITV, Channel 4 and Channel 5 were broadcast in analogue

Free-to-Air (FTA) television – viewing of television through devices not requiring monthly subscriptions such as the Freeview or Freesat services

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

Impact or Commercial Impact – one Commercial Impact is defined as one viewer watching one 30-second television commercial

ITV Family – the ITV family of channels which includes ITV, ITV2, ITV3, ITV4, ITVBe, ITV Encore, CITV, ITV Breakfast, CITV Breakfast and all associated +1 and HD equivalents. Viewing figures include the whole of the ITV network. Revenue figures include only ITV plc operated regions

Linear television – television service where the viewer has to watch a scheduled TV program at the particular time it's offered, and on the particular channel it's presented on

Long form video requests – video requests are a measure of the total number of videos viewed across all platforms (such as itv.com, Virgin and mobile devices). A long form video is a programme that has been broadcast on television and is available to watch online and on demand in its entirety

Media sales – commission earned by ITV plc on sales of airtime on behalf of the non-consolidated licensees

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

Network Programme Budget (NPB) – the budget spent on programming broadcast on the ITV channel, excluding spend on regional programming and ITV Breakfast

Non-consolidated licensees – the three regional channel 3 licences which ITV does not own. These licences are owned by STV and UTV and revenues received from these licences for ITV programming content are referred to as minority revenues

Non-NAR revenue – non-NAR revenue includes all ITV revenue, both internal and external, except net advertising revenue (NAR). This includes inter-segment revenue from the sale of ITV Studios shows to the ITV Network

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

SDN – multiplex operator owned by ITV which operates one of the six digital terrestrial multiplex licences in the UK that make up Freeview

Share of Broadcast (SOB) – ITV's share of UK television advertising revenue (NAR), a measure of market share

Share of Commercial Impacts (SOCI) – the term used to define the share of total UK television commercial impacts which is delivered by one channel or group of channels. This measure excludes viewing of BBC channels as they do not generate commercial impacts. Unless stated otherwise, SOCI figures cited throughout this report are based on BARB data and are based on the universe of Adults (16+)

Share of Viewing (SOV) – the share of the total viewing audience during a defined period gained by a programme or channel. This measure includes viewing of BBC channels. Unless stated otherwise, SOV figures cited throughout this report are based on BARB data and are based on the universe of individuals

Video on Demand (VOD) – the ability to deliver video content to a customer's television set, computer or device when the customer requests it

YouView – a joint venture (with the BBC, Channel 4, Channel 5, British Telecom, TalkTalk, and Arqiva) to operate and promote a hybrid television platform combining Freeview channels with catch up and on demand services

Jonesandpalmer
we think. we design. we publish.
www.jonesandpalmer.co.uk

MIX
Paper from responsible sources
FSC® C100528
FSC www.fsc.org

This Annual Report is printed by an FSC® (Forest Stewardship Council), certified printer using vegetable based inks.

This report has been printed on Claro Silk, a white coated paper and board using 100% EFC pulp.

ITV plc
The London Television Centre
Upper Ground
London
SE1 9LT

www.itv.com

Investors:
www.itvplc.com

Stock code: ITV