



## Delivering strong growth and building scale

ITV plc Annual Report and Accounts  
for the year ended 31 December 2015



We are an integrated producer broadcaster, creating, owning and distributing high-quality content on multiple platforms.

# maximising



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.

See page 18 for more



Emmerdale had an average share of viewing of 32% in 2015 and reached 62% of the UK population, which is more than 35 million viewers. Emmerdale has been sold to 139 countries.

# growing



As an integrated producer broadcaster we create value from world-class content that we develop, own and distribute around the world.

See page 22 for more



The Chase has now been produced in nine countries and sold to over 130 countries.

# building



As we grow our investment in content, we are creating more windows to extend the reach of that content and monetise it across more markets and platforms, both free and pay.

See page 26 for more



Thunderbirds Are Go! has now been sold to 90 countries, including a four-series deal with Amazon to debut on Prime Video in the US. We are also starting to drive value from merchandising as we extend the franchise beyond the television set.

#### Front Cover

Clockwise from the top: Poldark (ITV Studios UK for the BBC); 2015 Rugby World Cup winners New Zealand; Rovers Return from Coronation Street; I'm A Celebrity...Get Me Out Of Here!; Family Guy launched in February 2016 on ITV2; The Voice (Talpa Media for the BBC).

**Learn more...**

**The Online Annual Report**

Is available at [ar2015.itvplc.com](http://ar2015.itvplc.com)



**Corporate website**

We maintain a corporate website at [www.itvplc.com](http://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

**Video content**

See our latest showreels at

[www.itvplc.com/media/showreel](http://www.itvplc.com/media/showreel)



**Key**



Read more content within this report



Read more content online

**Strategic Report**

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

**Overview**

2015 Highlights	2
Investor Proposition	4
ITV at a Glance	6
Market Review	8

**Strategy and Operations**

Our Strategy and Business Model	10
Chairman's Statement	12
Chief Executive's Review	14
Strategic Priorities	18
Performance Dashboard	30

**Performance and Financials**

Key Performance Indicators	32
Financial and Performance Review	36
Risks and Uncertainties	46

**Governance**

Presents a clear view of ITV's governance.

Chairman's Governance Statement	52
Board of Directors	54
Management Board	56
Corporate Governance	58
Audit Committee Report	62
Annual Remuneration Report	68
Remuneration Policy	81
Directors' Report	85
Directors' Responsibilities	91

**Financial Statements**

ITV's audited financial statements for the year ended 31 December 2015.

Financial Statements	92
Independent Auditor's Report	93
Primary Statements	97
ITV plc Company Financial Statements	157

**Additional information**

Shareholder Information	171
Glossary	172

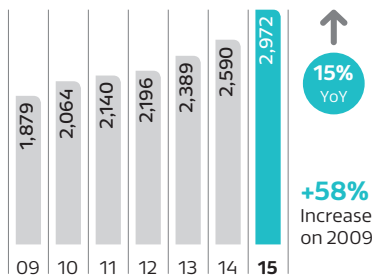
**Strategic Report**

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.

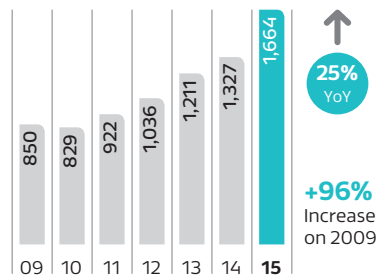
# 2015 Highlights

ITV delivered another strong performance in 2015 as we continued to strengthen, rebalance and grow the business.

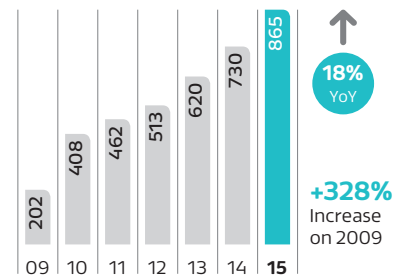
**Group external revenue** £m  
**£2,972m**



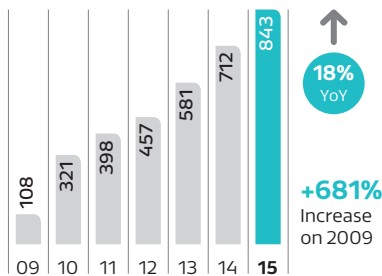
**Non-NAR revenue<sup>1</sup>** £m  
**£1,664m**



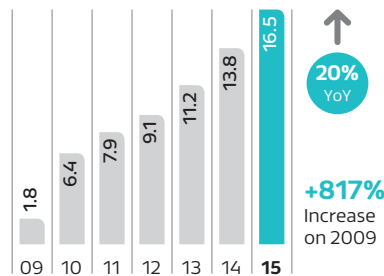
**Adjusted EBITA<sup>2</sup>** £m  
**£865m**



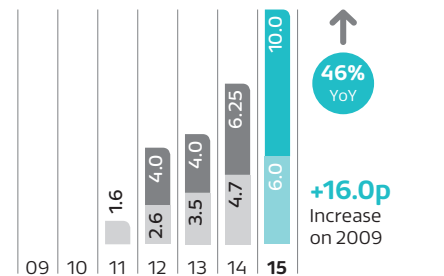
**Adjusted profit before tax<sup>3</sup>** £m  
**£843m**



**Adjusted EPS<sup>4</sup>** p  
**16.5p**



**Dividend per share** p  
**16.0p**



Group EBITA margin of

**29%**

up from 28% in 2014



Proposed an increase of

**28%** in the ordinary

dividend and a **10p** special dividend



Online, Pay & Interactive revenue up **23%**



1. Non-Net Advertising Revenue (Non-NAR) includes all ITV revenue, both internal and external, except Net Advertising Revenue (NAR).  
 2. EBITA before exceptional items has been adjusted to reflect the inclusion of production tax credits ('adjusted EBITA').  
 3. Profit before tax is £641 million (2014: £605 million).  
 4. Reported EPS is 12.4p (2014: 11.6p).



Pictured left to right: Good Morning Britain is broadcast on ITV five mornings a week; Unforgotten was a critically acclaimed drama produced by Mainstreet Pictures, which was acquired by ITV Studios UK in 2015.



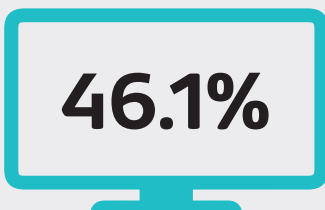
## 6% growth in NAR

Again outperforming our estimate of the total television advertising market



In 2015 we grew our share of broadcast to

**46.1%**



ITV is the biggest marketing platform in the UK, reaching

**around 80%**



of the television owning population every week

## 33% growth in total ITV Studios revenue

With over half its revenue generated outside the UK



Poldark has now been sold to **107 countries**. It has been recommissioned for a second series.



Coronation Street was the most watched soap of 2015 with an average of **eight million viewers** over the year. It has been sold to **132 countries**.

Non-NAR revenues account for

**49%** of total revenues in 2015



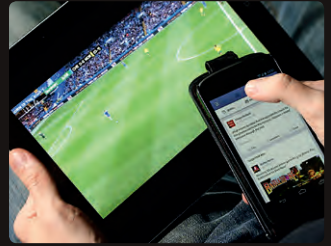
Britain's Got Talent was the most watched entertainment programme of 2015 with an average of over **10.5 million viewers** across the series.



The England vs Wales Rugby World Cup match was watched by **9.7 million viewers** and was the most watched sporting event of 2015.

# Investor Proposition

ITV continues to make significant progress in growing and strengthening the business creatively, commercially and financially.



Pictured top to bottom: ITV on-screen ident; Multiscreening for the Rugby World Cup.

## A strong track record for delivery

Over the last six years we have delivered strong revenue growth and double-digit profit growth in our key profit measures every year

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



**+800%**  
increase in adjusted EPS since 2009



**49%**  
of total revenue is from sources other than spot advertising



Pictured top to bottom: Broadchurch returned for a second series in January 2015; X Factor returned for a 12th series with two new judges.

## Strong market position

The 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

Online, Pay & Interactive is a material, fast-growing and profitable part of the business with continued strong growth expected as we build a global pay and distribution business

Our international content business is now a global player of scale, creating and owning rights and we will continue to grow both organically and through acquisitions in key creative markets

**98%**

of all commercial audiences over five million are on ITV



**+50%**

of total Studios revenues is from outside the UK



Pictured: The England football team will be part of the 2016 UEFA European Championships which will be broadcast on ITV.

## Highly cash generative

We are a highly cash generative business and our disciplined approach to cash, costs and capital has strengthened our balance sheet and allowed us to invest in the business organically and through acquisitions

## Investment opportunities to grow

As we continue to deliver our strategy we see good investment opportunities to grow the business and enhance shareholder value whilst maintaining capital discipline

## Compelling shareholder returns

We are committed to growing shareholder returns and have targeted to deliver 20% ordinary dividend growth to 2016 to achieve a dividend cover of between 2.0 to 2.5x adjusted EPS

**£1.1bn**

returned to shareholders since 2011



# ITV at a Glance

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

## Broadcast & Online

**46.1%**

largest share of the UK TV ad market



**21.2%**

share of viewing for the ITV Family in 2015



**27**

platforms that carry our content



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 the ITV Hub.

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 46.1% in 2015 (2014: 45.9%).

The family of channels attracted a total share of viewing (SOV) of 21.2% in 2015 (2014: 22.0%), the largest audience of any UK commercial broadcaster.

Our main channel is the largest commercial channel in the UK, delivering 98% of all commercial audiences over five million.



Our free-to-air digital channels provide more targeted demographics for advertisers such as 16-34's, ABC1 Men and Housewives with Children, and consist of ITV2 and ITV3, the two largest digital channels in the UK, and ITV4, CITV and ITVBe.



We also have high definition versions of our digital channels available on pay platforms along with ITV Encore, our pay only channel available exclusively on Sky.



In addition to linear broadcast, ITV delivers its content across multiple platforms. This is either through the newly launched ITV Hub, now available on over 27 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.

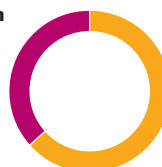


Pictured left to right: Britain's Got Talent returned for a ninth series in 2015 with a 43% share of viewing (2014: 43%); Loose Women has been broadcast as part of the ITV daytime schedule for 16 years and continues to drive good audiences.



#### ITV total revenue

- Broadcast & Online **£2,146m**
- ITV Studios **£1,237m**



#### ITV adjusted EBITA

- Broadcast & Online **£659m**
- ITV Studios **£206m**



## ITV Studios

# 7,000+

hours of original content produced and delivered in 2015



# 58

labels

in **10** different countries supplying over

# 90

channels



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 creates and produces content in the UK and internationally, while our distribution business, Global Entertainment, sells finished programmes and formats worldwide.

#### ITV Studios UK

ITV Studios UK is the largest commercial producer in the UK. We produce programming across a diverse range of genres such as drama, entertainment and factual for ITV's own channels, as well as for other UK broadcasters such as the BBC, Channel 4, Channel 5 and Sky.

#### ITV America

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

#### ITV Studios Rest of World

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

#### Global Entertainment

Global Entertainment, ITV's distribution business, owns the rights of ITV programmes and formats and acquires third-party content and distributes this to other broadcasters and platforms internationally. Within this business we also finance productions both on and off-ITV to acquire global distribution rights.



# Market Review

The market environment in which we operate is dynamic and constantly changing.

Consolidation of media and telecoms companies and the increasing influence of technology brings both challenges and opportunities that we believe we are able to respond to with pace and confidence.

## Key market trends

### Global Content

Global demand for content continues to grow, with more channels, more platforms and new entrants increasing spend on high-quality programming. We estimate that the global content market is growing at around 5% per annum, with some genres such as drama growing faster than others.

This growth can be attributed to a number of factors, including: a larger international pay television market; convergence in the television market, where telecom and new media companies are increasingly competing with traditional media companies for content and viewers; online players such as Netflix and Amazon have continued to invest heavily in archive and new content; and online advertising driven platforms like YouTube and Facebook are 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 drama, particularly US drama, has increased significantly in the last few years. Original scripted content becomes brand defining for broadcasters and OTT players in an increasingly competitive global environment. US studios continue to dominate the market for drama in the US and internationally, however the emergence of Netflix and Amazon in creating high-quality original scripted content has increased competition in the market. ITV America has developed a number of scripted programmes including

Aquarius, The Good Witch and Texas Rising. Leveraging our network relationships and international distribution network, we are looking to expand our global scripted business and develop a strong portfolio of international and returning drama.

In the UK, there is stronger demand and higher viewing figures for UK content over imported series. We are a major producer of scripted content and have further reinforced this position through acquiring Mammoth Screen and Twofour Group. Our 2015 scripted deliveries included Poldark, Unforgotten and Home Fires.

While not growing as quickly as scripted content, demand for non-scripted content remains strong as networks continue to require lower cost, high volume popular series. The UK remains the dominant producer of unique non-scripted formats, producing almost twice as many as the US. ITV has significantly strengthened its capability in this area with the acquisition of Talpa Media. Along with the established entertainment and factual entertainment genres, scripted reality programming, where we have focused our US acquisitions, has grown quickly with formats such as Pawn Stars, Real Housewives and Duck Dynasty.

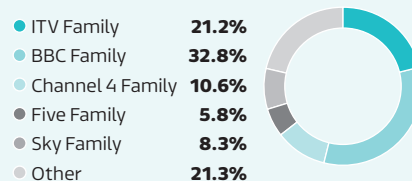
ITV is now a genuine global player in non-scripted content, being the largest unscripted independent producer in the US, as well as the largest commercial production company in the UK. The large independent production companies, such as Endemol Shine Group and Fremantle Media, continue to be ITV Studios'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

### Broadcast & Online

Over recent years the number of ways to watch TV has greatly increased with viewers able to choose a variety of platforms, both free and pay. Linear viewing remains dominant although viewing habits vary by demographic with younger viewers watching more non-linear content than older demographics. Non-linear viewing, while currently only a small proportion of total viewing, is growing fast and we continue to invest in ITV's online offering, for example the ITV Hub, to compete successfully in this market.

#### Television viewing

##### Share of viewing by broadcaster



Source: BARB

ITV competes for viewers with the BBC and commercial broadcasters including Channel 4, Sky and Channel 5. Since the digital switchover, the number of available channels has grown which has impacted the SOV of the traditional broadcasters. However, despite an increase in the number of channels, ITV and BBC1 continue to be the only channels consistently able to deliver mass audiences as well as targeted demographics, and in 2015 ITV delivered 98% of all commercial audiences over five million viewers. In 2015 the ITV family of channels delivered a 21.2% SOV, second only to the BBC's family of channels.

Pictured left to right: Home Fires was a new drama for ITV averaging 6.2 million viewers across six episodes. It has been commissioned for a second series; Joanna Lumley presented two documentaries for ITV, Elvis and Me and Joanna Lumley's Trans-Siberian Adventure.



Although broadcast television has seen significant change over the last few years overall television viewing levels around the world have remained high.

Average television viewing in the UK in 2015 was down 2% compared to 2014. However, over a longer-term basis viewing has been resilient despite year-on-year fluctuations and remains the most popular form of media entertainment. UK average television viewing in 2015 was 216 minutes per day which is a similar level to ten years ago. (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 operators Virgin and BT. Pay television revenue continues to grow 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, Netflix and Amazon.

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

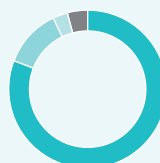
ITV participates in the pay television market, earning revenue from various third parties, including Sky and Virgin, through the licensing of channels and content. ITV also has its pay only television channel, ITV Encore, on the

Sky platform along with our other pay channels, ITV2 HD, ITV3 HD and ITV4 HD.

### Non-linear viewing

#### Long-form content viewing

- Live (including simulcast) **81%**
- Timeshifted (PVR) up to 28 days **12%**
- VOD: Broadcaster catch-up **3%**
- VOD: Other **4%**



Source: Internal estimates

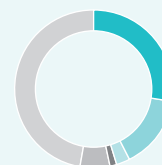
Non-linear viewing of long-form content is mostly recorded, or timeshifted viewing and catch-up of live television (linear television). It also encompasses VOD or Over The Top (OTT) delivery of other long-form content such as box sets and movies.

While non-linear viewing has grown fast it still accounts for a small proportion of total viewing time. In the UK we estimate 81% 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 7% of content viewed on demand, 3% is catch-up viewing of broadcaster content via the television set or to other devices such as tablets and mobiles. The remaining 4% 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.

### Advertising revenue

#### Television's share of the advertising market

- Television **27.5%**
- Press **15.2%**
- Radio **2.8%**
- Cinema **1.3%**
- Outdoor **6.1%**
- Internet **47.1%**



Source: Advertising Association January 2016

ITV generates revenues from advertising through traditional broadcast and online, and competes with commercial broadcasters and other advertising media, for its advertising revenues. In the UK, television has broadly held its share of the overall advertising market over the last five years, with a share of 27.5% in 2015 (2010: 29.2%). Internet advertising has grown its share from 29.3% in 2010 to 47.1% in 2015, making the UK one of the most developed markets for online advertising. This growth is at the expense of print advertising, which declined to 15.2% in 2015, down from 30.8% in 2010.

The UK television advertising market is getting increasingly hard to measure as all broadcasters have different definitions, but we estimate ITV's share of broadcast was 46.1% in 2015, up from 44.7% in 2009. This is because of ITV's unique ability to deliver mass audiences across key demographics.

Within online advertising, display accounts for 16.9% of the total online advertising spend, with the remaining 30.2% spent on search and classified. ITV competes within the display section of this market, providing an advertising platform around our online video content.

# Our Strategy and Business Model

We remain focused on our original vision for ITV as an owner, producer and broadcaster of content.

We are confident that our strategy to maximise our value as an integrated producer broadcaster, creating, owning and distributing content around the world, is the right long-term path for ITV.

## Our strategy

Our strategy is focused on three key priorities:



### maximising

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

See page 18 for more



### growing

grow international content business

See page 22 for more



### building

build a global pay and distribution business

See page 26 for more

## Our sources of competitive advantage

### The UK's biggest marketing platform delivering unrivalled commercial audiences

The scale of our channels and the significant investment we make in quality content gives ITV unique scale and reach on our main channel and more targeted audiences on our family of channels and the ITV Hub.

# 80%

Our channels reach around 80% of the TV-owning population each week

### 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 across multiple platforms. Internationally we have built production and distribution scale in key global creative markets through organic growth and selective acquisitions.

# £1bn

We invest over £1bn annually in content for our family of channels

### Global distribution

ITV has built relationships globally, with major networks and local broadcasters, and owns the rights to a diverse portfolio of shows, particularly drama and entertainment, for international distribution.

# 40,000+

Hours of television and film content

## Our strategic assets

Our strategic assets underpin ITV's competitive advantage

 Creating and owning the rights to quality content

 Our strong brand

 Our talented, creative people

Pictured left to right: The Sound of Music Live was the first live adaptation of a musical to be broadcast on TV in the UK; behind the scenes for Text Santa, ITV's annual charity appeal.



See page 46 for information on our principal risks

## Our diversified revenue streams

By developing and retaining the rights to content, ITV is able to maximise the value of its programme brands across a range of revenues streams, making ITV a more balanced business and enabling it to drive value from different revenue models.

**Advertising** Our family of channels and the ITV Hub drive significant advertising revenues from the mass audiences and more targeted demographics it delivers, which funds our investment in the programme budget.

**Commercial partnerships** We work with advertisers and advertising agencies to provide unique commercial partnerships and sponsorship opportunities that extend beyond pure spot advertising.

**Pay & interactive** We earn pay revenues primarily from licensing our HD channels, our pay channel ITV Encore and our online video on demand (VOD) services. We also monetise our consumer interaction with our biggest shows through competitions and voting.

**Original production** We produce original content commissions for broadcasters internationally from our production bases in the UK, the US, the Netherlands, Germany, France, Australia and the Nordics.

**Distribution revenues** We own the rights to a significant catalogue of programmes and formats which we sell and license to broadcasters internationally. The strong global demand for content provides a significant opportunity for us.

**49%**

of our total revenue is from sources other than traditional spot TV advertising



## Creating value



**For advertisers** Through delivering unique scale and breadth of demographics and new innovative ways of engaging with consumers around quality programme brands



**For audiences** Through a varied, high-quality programming schedule



**For broadcasters and platform owners** Through delivering quality programming which they can then monetise through their own business models



**For shareholders** Through a track record of creating shareholder value and delivering significant shareholder returns



**For our people** Investing in and developing our creative, on screen, commercial and operational talent

# Chairman's Statement

The last year has seen another period of strong progress at ITV with record financial performance and further evolution in the shape of the business.



ITV is a remarkable place to work and employs remarkable people. It is thanks to their hard work that we have produced these results.”

**This represents the sixth successive year of growth and the turnaround days of 2010 are now long behind us. As a result ITV is a very different business today, from that which this team inherited.**

The success of ITV depends on driving ahead creatively, commercially and financially, while at the same time combining these strands successfully in the context of very strong management leadership. Creative potential sits at the core of our business, and measured in terms of talented people and new programme generation, ITV is stronger than it has ever been. Commercially the year has seen further progress in rebalancing the business towards content and multi-platform broadcasting. Financially we have a business generating strong cash flows and high return on capital.

When we started on the original transformation programme it was commonplace to hear television referred to as a no-growth business. In fact, many saw our model as in decline. Instead we have grown strongly every year and emphatically believe our combination of multi-platform broadcasting and content provides a platform for continued growth.

That is not to say that the changing broadcast landscape is entirely benign. We can all see that changing viewing habits, especially amongst young people will affect conventional linear television. The arrival of new global video on demand broadcasters is affecting viewing habits and provides new competition for top-end drama. And new online advertising models provide our commercial customers with different routes to market.

These challenges are also opportunities for ITV. Great content is in demand globally. As new viewing opportunities emerge so the thirst for really good programmes increases. Under its international umbrella ITV has an extraordinarily diverse but high talent set of content businesses. In the UK our integrated producer broadcaster model is stronger than ever with increasing in-house output.

Our audience strength in the UK and close working relationships with advertisers provides a uniquely powerful marketing platform. Far from replacing television, the online advertising market has reinforced our unique ability to provide advertisers with rapid access to very large audiences with persuasive and emotional branding messages. The strength of ITV's offering has enabled it to grow its share of broadcast advertising revenues over the last five years.





..... Pictured left to right: The Good Witch was aired in the US on the Hallmark channel in February 2015; behind the scenes on The Frankenstein Chronicles, an ITV Encore commission.



**Dividend**

.....  
**Ordinary dividend**

**6.0p**

.....  
**Special dividend**

**10.0p**

One of the hallmarks of our approach has been disciplined control of costs and spending. As a result, over 90% of our operating profit is converted into cash and we have been able to both invest in acquisitions and grow progressively our dividend. Our approach is to invest carefully in selected new growth opportunities while at the same time making returns to shareholders. Within this context we continue to look at potential acquisitions that could further enhance our ability to execute our strategy.

Against this context we maintain a conservative balance sheet. That is not just a consequence of strong performance but a Board policy – to maintain low financial risk and to take where appropriate bold creative and operating decisions.

Our Board structure and workings reflect our commitment to a creative, commercial and financial management philosophy. The 'team sheet' includes strands of experience and knowledge in all three areas. We have a relatively small Board, closely engaged with the business, supporting but also challenging the executive. We believe that the strength of a Board comes from its understanding of what really goes on in the business and a spirit of openness and transparency around the Board table.

We are very selective about Board appointments. Each addition needs to add to our skill base and diversity, but also relate to the business. Against this context I am delighted to welcome Anna Manz to our Board. She will bring new insight from the consumer world and valuable experience.

I believe that the well spring of our success is our people and the culture that binds them together. ITV is a remarkable place to work and employs remarkable people. It is thanks to their hard work that we have produced these results.

Lastly, after the AGM I pass the baton on to a talented and accomplished new Chairman. After nearly six and a half years in what has been a carefully planned succession I want to thank all our shareholders and colleagues for their commitment.

Being part of ITV during this exciting period has been a great privilege.

**Archie Norman**  
Chairman

# Chief Executive's Review

In 2015 ITV delivered another strong performance as we continue to strengthen and grow the business.

**We achieved good revenue growth across all parts of the business, with external revenue up 15%, and for the sixth consecutive year we delivered double-digit growth in our key profit measures.**

ITV's performance in 2015 builds on our consistent record of strong results since we launched our strategy six years ago. Since 2009 we have increased Group external revenues by 58%, adjusted EBITA by 328%, adjusted earnings per share (EPS) by over 800% and basic EPS by over 400%. We have improved our cash position by turning this profit into cash, which has allowed us to significantly invest in the business while at the same time returning over £1.1 billion to shareholders to date, with more proposed for 2016. We will also maintain financial flexibility to continue to invest in the business.

ITV today is a demonstrably better business creatively, commercially and financially. We've made significant progress in reducing our dependence



on UK spot advertising and in growing new revenue streams. In 2015, 49% of ITV's total revenues came from sources other than traditional spot advertising.

Our global production business, ITV Studios, continues to grow in the UK and internationally, both organically and through acquisitions in key creative markets, and is now a global player of scale with over half of its revenues coming from outside the UK. Our Broadcast business is robust and growing as we continue to deliver unrivalled audience reach for advertisers, and further strong growth in Online, Pay & Interactive, which is a material and profitable part of the business.

We are committed to 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 multiple platforms before distributing it around the world, is the right long-term path for ITV.

We will continue to strengthen the business and grow new revenue streams both organically and through acquisitions, as we see investment opportunities across the business. There will be an increasing emphasis on building a global pay and distribution business as we seek to deliver and monetise our content on multiple platforms, free and pay.

We remain focused on delivering against our three strategic priorities in the areas where we can achieve most growth:

**maximising**  
maximise audience and revenue share from free-to-air broadcast and VOD business

See page 18 for more

**growing**  
grow an international content business

See page 22 for more

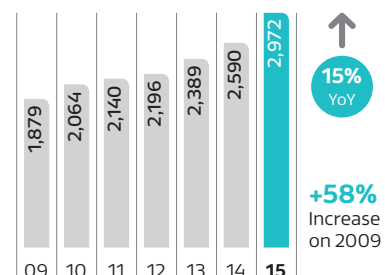
**building**  
build a global pay and distribution business

See page 26 for more

## ITV delivers another strong performance

In 2015 we grew external revenue by 15% to £2,972 million (2014: £2,590 million), reflecting 6% growth in NAR to £1,719 million (2014: £1,629 million) and over £300 million growth in non-NAR to £1,664 million (2014: £1,327 million), up 25%. Together with our continued focus on cash and costs we delivered another year of double-digit profit growth with total adjusted EBITA up 18% to £865 million (2014: £730 million), corresponding to an improved adjusted EBITA margin of 29% (2014: 28%). Adjusted EPS in the year increased 20% to 16.5p (2014: 13.8p) and statutory EPS increased 7% to 12.4p (2014: 11.6p).

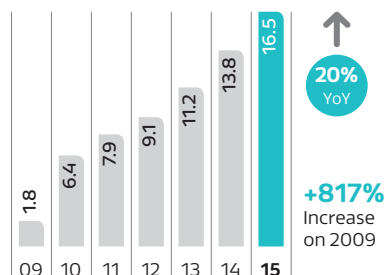
## Group external revenue growth £m



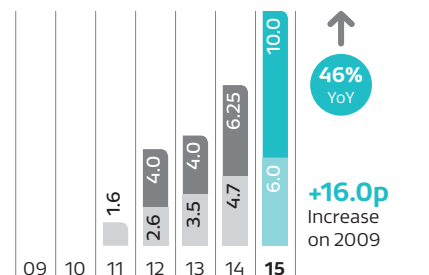
Pictured left to right: Assault course game show, Ninja Warrior UK was broadcast on ITV in Spring 2015, produced by ITV Studios UK; Safe House was ITV's second most watched new drama in 2015. A second series has been commissioned.



**Adjusted EPS p**  
**16.5p**



**Dividend per share p**  
**16.0p**



**Focus on strengthening viewing performance**

In 2015 ITV Family Share of Viewing (SOV) declined by 3%. While there were many successful programmes in the first half, our viewing performance was impacted by the launch of a number of new free-to-air digital channels, some of our shows, particularly in the factual genre, not performing as well as we had expected and relatively strong competition from BBC. ITV Family Share of Commercial Impacts (SOCI) was down 4%.

The business remains highly cash generative and profit to cash conversion was 91%, even after increased investment in our scripted business. We ended the year with net debt of £319 million (2014: net cash £41 million) after acquisitions of £406 million (net of cash acquired), dividend payments of £459 million and pension deficit contributions of £90 million.

With a strong balance sheet we are able to continue to invest in the assets underpinning our strategy, developing our content, our people and our brand. As a people and talent business we also continue to drive high employee engagement and attract a diverse workforce to support the success of ITV. Reflecting ITV's strong performance in 2015 and in line with its policy, the Board has proposed a final dividend of 4.1p. This equates to a full year dividend of 6.0p, up 28%, which is well ahead of earnings growth and is a significant step forward in taking ITV's dividend cover closer to its policy range.

The Board is also proposing a £400 million (10.0p per share) special dividend, which comes after a year of significant investment at ITV and reflects ITV's strong cash generation and the Board's confidence in the business. Following this distribution ITV's leverage remains well below the 1.5x net debt to EBITDA ceiling and gives ITV the flexibility to continue to invest across the business for further growth.

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

Against the backdrop of a rapidly changing media environment, 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.

In 2015 Broadcast & Online revenues were up 6% to £2,146 million (2014: £2,023 million), with adjusted EBITA up 16% to £659 million (2014: £568 million), which reflects 6% growth in highly geared NAR and 23% growth in high margin Online, Pay & Interactive revenue.

**Continued strong advertising growth**

In 2015 ITV again outperformed its estimate of the television advertising market. ITV invests over £1 billion annually in programming and has unique scale and reach which is much in demand from advertisers, delivering mass audiences on the ITV main channel as well as more targeted demographics on the family of channels and on the ITV Hub. This scale and strength of our brand underpins the success of our free-to-air and on demand platforms.

ITV is also driving more value from its brands and for advertisers through partnerships and sponsorship deals, increased consumer interactivity, and by developing new and more targeted advertising initiatives to extend advertising campaigns beyond the television spot, such as AdSync+ and ITV Adventures.

We have new creative leadership in place and we remain focused on strengthening our viewing performance to ensure we continue to deliver standout content that drives mass audiences for our advertisers. We believe that around £1 billion is the right level of investment for our programme budget and we have a strong slate of programmes for 2016 with many new and returning programmes across all key genres.

**Responsive to a dynamic environment**

The market environment in which we operate is constantly changing which provides both opportunities and challenges. Viewers, and particularly the younger generation, are changing the way they consume content and the digital revolution has dramatically increased the number of devices and platforms on which content is viewed. As a result online is one of the fastest growing businesses within ITV and we will continue to invest in the quality and accessibility of the ITV Hub, the new digital home for all our channels and services, as well as seeking new ways to monetise and distribute our content.

However, while online viewing is growing rapidly in the UK, it remains a small proportion of total viewing at 7%, with the majority of television watched live.

Broadcast markets differ internationally and therefore there cannot necessarily be a direct read across. However, what is common to all markets is that at the heart of a successful Broadcast business

## Chief Executive's Review continued

is owning and exploiting the rights to high-quality, 'must have' content. That is why growing an international content business remains central to our strategy as an integrated producer broadcaster.

### Grow international content business

In 2015, reflecting the strength of our global production labels, ITV Studios delivered good revenue growth both organically and from our acquisitions, with growth across the business. Total revenue was up 33% to £1,237 million (2014: £933 million), of which organic revenue was up 8%, while adjusted EBITA increased 27% to £206 million (2014: £162 million).

Our vision is to be a scaled international business, owning and exploiting rights in key genres that travel. In line with this, we continue to strengthen our position as the UK's largest commercial production company, as well as creating an increasingly international business with production bases in America, the Netherlands, France, Germany, the Nordics and Australia. Over half of ITV Studios total revenue is generated outside the UK and we have become a top independent producer across Europe and the US.

It is clear that there remains strong global demand for high-quality content from both broadcasters and platform owners. We estimate that the global content market is growing at about 5% per annum. Capitalising on this demand, ITV's strategy continues to be to develop, own and manage content with international appeal in the key creative markets.

Over the last few years we have built scale in production markets with solid creative track records both organically and through acquisitions. This year we have strengthened our business, with the acquisitions of Talpa Media in the Netherlands and Twofour Group and Mammoth Screen in the UK.

We continue to build scale internationally and develop a larger portfolio of

successful series and formats across genres and across their content lifecycle. We will focus on programmes that return and travel internationally, namely drama, entertainment and factual entertainment. We have a good slate of new and returning programmes with 166 new commissions and 176 recommissions delivered in 2015 and many more in the creative pipeline for 2016 and beyond.

### Building a global pay and distribution business

As we grow our investment in content and own more hit shows that can be exported around the world, we are creating new windows to extend the reach of that content and monetise it across more platforms and markets.

### Capitalising on growing demand for video on demand

Growth in Online, Pay & Interactive remains strong with revenue up 23% to £188 million (2015: £153 million) as viewers are changing the way they consume content. We continue to see good growth in long-form video requests, up 14% while total video consumption, which is the measure of how long viewers are spending online, was up 42%.

In Autumn 2015 we successfully launched our new online service the ITV Hub, through which audiences can access ITV broadcast content both live and on demand. This is a major step forward in the quality, innovation and ease of use of our online service. Live content is central to the Hub and live simulcast viewing is becoming increasingly popular particularly around sporting events and large entertainment shows, as viewers are using connected devices as a television set. The new service has been very well received with consumption growing strongly since launch. To continue to drive growth in our online audiences and advertising revenues, we will continuously invest in improving the user experience, technology and the reach of the ITV Hub, which is now available on 27 platforms.



### Frankenstein Chronicles

Frankenstein Chronicles was the first original commission for ITV Encore.

### Further developing pay opportunities

We have built a fast-growing and profitable pay business in the UK from licensing our channels, including our pay channel ITV Encore, and content to platforms such as Sky and Virgin. Outside the UK we have established a number of smaller pay propositions including Cirkus and ITV Choice.

Going forward we are looking to explore new models for content creation and distribution, through a mix of pay channels and online. We have invested in a number of digital media companies and will continue to develop a greater expertise and scale in monetising our content through a mixed economy of organic growth, partnerships and acquisitions.

### Expanding our global distribution network

Global Entertainment's revenues grew 9% in 2015 to £157 million (2014: £144 million) as we have driven value from the investments we have made in creating and owning content with international appeal. In 2015 we invested £163 million in scripted content, up £60 million and we continue to strengthen our portfolio including acquiring third-party content.

As ITV grows in scale, we will further enhance our distribution network, benefiting from our increased rights ownership and from the stronger network relationships we build.



Pictured left to right: ITV production gallery working on the broadcast of an England team football match; 24 Hours in A&E is a medical documentary produced by ITV Studios UK for C4 and is in its seventh series.



Our acquisitions have also strengthened Global Entertainment's position as a leading international distributor of content and our focus is now on leveraging our creative talent and distribution network to build on these successes and develop new ways to package and sell our content internationally.

**Confident of delivering further good growth in 2016 and beyond**

We expect to deliver another good performance in 2016 with continued revenue growth across both businesses.

Over the full year we expect to outperform our estimate of the television advertising market but the phasing of NAR over the year is expected to be different in 2016, driven by the timing of major sporting events. We expect ITV NAR to be flat in Q1, marginally behind the market, against 12% growth in Q1 last year. Q2, which will benefit from the Euros, should be positive.

We remain focused on strengthening our viewing performance and we have started 2016 well, with ITV SOV up 5% and ITV Family SOV up 2%. Online, Pay & Interactive will deliver double digit revenue growth, driven particularly by Online and Pay as we continue to invest in the ITV Hub and further develop our international pay model. ITV Studios is on track to report double-digit revenue and profit growth, primarily driven by our recent acquisitions.

Overall, we see clear opportunities for investment in all parts of the business. And because of our strong financial position and cash conversion, we are confident in delivering both continued growth and shareholder returns. ITV remains well positioned to drive value from its talented and creative people, our commercial scale, and our global network in the creation and distribution of content.

**Our people and our responsibility**  
**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. ITV's social purpose is to use the power of the nation's most loved and most watched programmes to create change for good. Our responsibility strategy is at the heart of everything we do with the aim of building a responsible and sustainable business. As well as complying with our legislative and regulatory requirements we recognise that our actions can have an impact and our reach can positively influence society. We therefore work to identify issues that are material to ITV and matter to our stakeholders, helping us to manage reputational risk as well as leverage our audience reach to benefit our communities.

We recognise that diversity and inclusion goes beyond gender and we are committed to monitoring and reporting progress on other protected characteristics.

Our programmes and services also need to be accessible to all and we exceed the Ofcom targets for subtitling, audio description and signing.

**Our responsibility priorities**

Our responsibility strategy is focused around three priorities: people, planet and partnerships.

**Planet**

We rely on energy and often depend on the resources of local communities to help in the production and broadcast of programmes. In 2015, we used 100% renewable energy in all the buildings we own and Coronation Street leads the industry in producing a television drama of the highest quality with the lowest possible environmental impact. See page 88 for our greenhouse gas disclosures.

**Partnerships**

We strive to tackle social topics in an authentic way and leverage our reach to mass audiences to raise awareness and money for charity. In 2015, over 30 hours of airtime were dedicated to social action. ITV contributed more than £24 million in cash and in-kind to support charitable causes, which equates to 2.8% of adjusted profit before tax. More locally, our people volunteered over 1,000 hours of their time for a cause they care about.

**Further information**

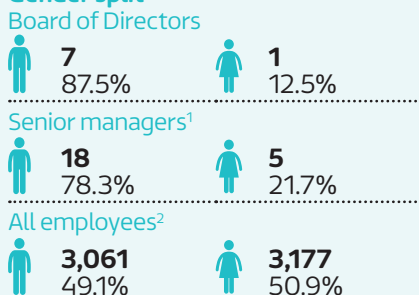
We aim for continuous improvement in our responsibility strategy, actions and performance. More information on our responsibility initiatives can be found online.

[itvresponsibility.com](http://itvresponsibility.com)

**People**

To continue our success as an integrated producer broadcaster, we want to attract the largest possible audiences to our channels and content and attract the best people to work for us. To do this we need to portray the diverse makeup of modern society on-screen and ensure our workplace is inclusive.

**Gender split**



1. All of the five female senior managers were directors of consolidated Group companies.  
 2. Employee gender split based on total headcount at 31 December 2015.





## Strategic Priority 1:

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



Pictured: I'm A Celebrity... Get Me Out Of Here! returned for a 15th series and launched with 11.3 million viewers. It averaged 9.9 million viewers across the series and was up in the 16–34 demographic.





**While the media environment in which we operate is constantly changing our Broadcast business remains robust and adaptable. ITV is the biggest marketing platform in the UK and because of the scale of our commercial channels, we reach around 80% of the television owning population every week. We invest over £1 billion in our programme budget, significantly more than our commercial competitors, and have an unrivalled ability to deliver mass audiences across all demographics.**

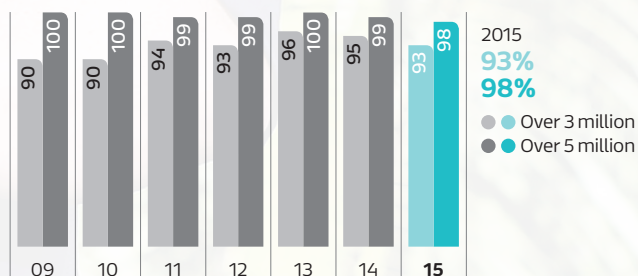
See page 30 for more

As a result, there continues to be a strong demand for advertising on our family of channels, which generates significant profit and cash to reinvest across ITV. Additionally, as an integrated producer broadcaster, our broadcast channels also provide an important platform to showcase ITV Studios content and give it a proven track record, before exploiting it internationally.

**Continued strong advertising growth driven by our unique offering**

Since 2009 ITV has maintained its leading position as the only commercial broadcaster consistently able to deliver mass audiences to our advertisers. In 2015 ITV delivered 98% of all audiences over five million and 93% of all audiences over three million.

**% of commercial audiences over three and five million**



ITV's unique ability to deliver these mass audiences, as well as more targeted demographics across the family of channels and the ITV Hub, has enabled us to once again grow ITV Family NAR ahead of our estimate of the television advertising market, even though our SOV declined in the year. SOV provides an overall measure of viewing performance, however because advertisers are buying scale and breadth of audience, SOV is not necessarily a direct indicator of advertising performance.

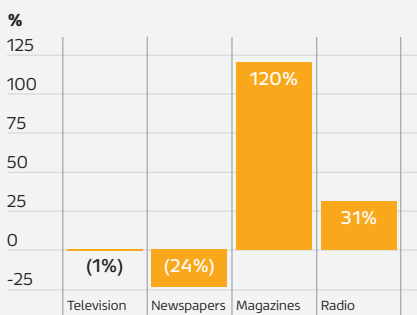
# Strategic Priority 1 continued



Television remains the most efficient and effective advertising medium for advertisers to achieve mass simultaneous reach.”

Television remains the most efficient and effective advertising medium for advertisers to achieve mass simultaneous reach. Although television has seen some price inflation over the last few years, the cost of advertising is similar to 2004 levels and compared to many other advertising media it remains good value, especially given the reach and scale that it delivers. As the viewing and advertising landscape continues to fragment, the scale of audience that television, and particularly ITV delivers, becomes increasingly valuable.

Advertising inflation 2004–2015



Source: Warc

### Maximising the value of our airtime

ITV is also focused on maximising the value of its airtime and driving new revenue streams through sponsorship, interactivity and branded content. ITV can utilise its core assets of its strong brand and reputation, unique commercial relationships and quality production capability to deliver a wide variety of marketing solutions. To date we have implemented many innovative sponsorship deals including Aunt Bessie’s for I’m A Celebrity... Get Me Out Of Here! and Land Rover and SSE for the Rugby World Cup. We have also produced a number of branded content solutions with our new service ITV AdVentures for Suzuki and National Lottery and we have launched AdSync+, a partnership with RadiumOne to amplify the reach of our television advertising. In 2016 we will also be introducing more targeted advertising.

### Ongoing focus on strengthening viewing performance

Although we had many on-screen successes in 2015, ITV Family’s SOV declined by 3% with ITV main channel SOV down 4% and the digital channels SOV down 3%. This performance was a result of the launch of some new free digital channels, a number of our shows not performing as well as we had expected, particularly in the factual genre, and relatively strong competition from the BBC.

However, we enjoyed many real successes in the year – we broadcast the most watched entertainment show in Britain’s Got Talent, the most watched soap in Coronation Street, the most watched drama in Downton Abbey and the most watched sporting event with England vs. Wales during the Rugby World Cup. Our daytime schedule improved, including Good Morning Britain, and we also launched a number of new entertainment shows including Mission Survive, Ninja Warrior UK and

You’re Back in the Room, as well as driving significant audiences with our returning brands, I’m A Celebrity... Get Me Out Of Here!, Britain’s Got Talent and The X Factor. Our drama schedule, which included Code of a Killer, Safe House, Downton Abbey, Home Fires, Unforgotten and the second series of Broadchurch, continued to deliver large-scale audiences.

To drive viewing and engagement in our content, we are further developing programme apps which continue to grow in popularity. Our digital engagement has grown significantly in the year, delivering 100 million votes across our big entertainment shows and 40 million paid competition entries.

Looking ahead we have new creative leadership in place and we remain very focused on strengthening our viewing performance in 2016. We believe that around £1 billion is the appropriate programme budget for ITV’s family of channels to ensure we continue to deliver standout content that drives the scale and breadth of audiences that advertisers demand. We have a strong slate of new and returning programmes across the key genres. We have 50 hours more drama, major football and rugby tournaments and will continue to invest in daytime and soaps. Our 2016 schedule includes new programmes such as Victoria, Cold Feet, The Durrells, Maigret, Brief Encounters, Family Guy, American Dad, Drive, Euro 2016 and the Rugby Six Nations and returning programmes Vera, Endeavour, Britain’s Got Talent, X-Factor, I’m A Celebrity... Get Me Out Of Here!, Love Island, Ninja Warrior UK, Long Lost Family, The Chase and the Tour de France.





Pictured left to right: This Morning is one of the longest running daytime programmes in the UK and has been broadcast on ITV since 1989; Black Work was ITV's most watched new drama in 2015 with an average of 7.6m viewers across the three-part series.

### Remaining responsive to a changing media environment

The market in which we operate is constantly changing but traditional linear television viewing remains resilient despite significant changes in the availability and delivery of content. Broadcaster and other VOD is growing rapidly, but it is a gradual process and still only accounts for 7% of total viewing.

On average viewers watch 216 minutes of television a day, which is a similar level to 2004 of 222 minutes. The majority of television viewing is live, which we estimate to be 81%, as television continues to have the power to bring audiences together. Live event television in particular has demonstrated resilience and a growing relevance as viewers increasingly connect through social media and they continue to deliver very significant audiences. Therefore large sporting events, which also deliver valuable demographics, continue to be an important part of our schedule and as well as the Rugby Six Nations we have also recently secured British horseracing from 2017.

Many consumers, particularly younger viewers, are engaging in an increasing amount of content and entertainment via other platforms such as social media and video games, but television viewing continues to dominate the way people like to be entertained.

Broadcast markets differ internationally. The key European markets are structurally different to the US, driven by the strength of free-to-air television, the level of pay penetration and the cost of pay. Therefore while lessons can be learnt from other countries, there can be no direct read-across.

Three attributes lie at the heart of ITV's successful Broadcast proposition: it's first-class distribution and reach across all platforms; owning the rights to high-quality, must have content, for all key audiences; and providing advertisers with creative access to the biggest and most effective marketing platform in the UK.

### 2016 and beyond

On 29th February 2016 ITV completed its acquisition of 100% of UTV Ltd, the television assets of UTV plc. This further strengthens ITV's free-to-air business and enables it to run a more efficient network.

As we continue to invest in our integrated producer broadcast model, our priority is to strengthen our on-screen performance and we have started 2016 well, with ITV SOV up 5% and ITV Family SOV up 2%. We are also focused on maintaining the scale of our audiences because as the viewing and advertising landscape continues to fragment, this becomes increasingly valuable to advertisers.



The market in which we operate is constantly changing but traditional linear television viewing remains resilient despite significant changes in the availability and delivery of content."

Over the full year we again expect to outperform our estimate of the television advertising market, although the phasing of NAR is expected to be different in 2016, driven by the timing of major sporting events. We expect ITV NAR to be flat in Q1, marginally behind the market, against 12% growth in Q1 last year. Q2, which will benefit from the Euros, should be positive.



### Family Guy

Launching on ITV2 and the ITV Hub in March 2016.





## Strategic Priority 2: Grow international content business



Pictured: Poldark was an eight-part series produced for the BBC by Mammoth Screen, which ITV Studios UK acquired in 2015. It received critical acclaim and has been recommissioned.



**Growing a scaled 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.**

See page 30 for more

**Growing global demand for content**

The strong global demand for content from broadcasters and platform owners provides a significant opportunity for ITV Studios. We estimate that the global content market is growing at about 5% per annum, with some genres such as drama growing more quickly than others. To capitalise on this, our strategy remains to develop, own and manage content rights in genres that return and travel internationally, namely drama, entertainment and factual entertainment.

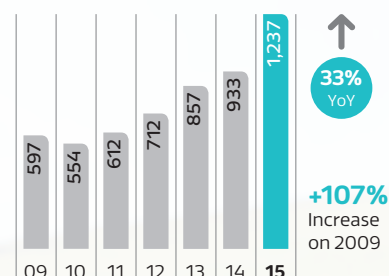
In 2015 we again delivered strong growth with revenues up 33% to £1,237 million (2014: £933 million) and EBITA up 27% to £206m (2014: £162 million). This builds on the significant growth we have achieved over the last few years, more than doubling revenues from £600m in 2009 to over £1.2 billion in 2015. This growth has been achieved organically as well as through a mix of acquisitions, partnerships, investments and talent deals.

**Building scale in creative markets**

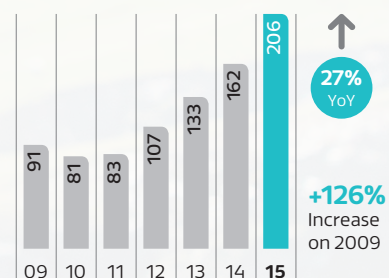
ITV Studios has three production divisions – ITV Studios UK, ITV America and ITV Studios Rest of World. The US and UK are the dominant creative markets, with the US the largest exporter of scripted content and the UK the world leader for exported formats.

Over the last few years we have built scale in these key markets, developing a portfolio of successful series and formats. We have made 16 acquisitions since 2012 mainly in the UK and US and also more recently Talpa Media in the Netherlands. Our original business (excluding all acquisitions we have made) continues to perform well, delivering a 5% compound annual growth rate since 2009, although production businesses do not deliver straight-line revenue growth.

**Studios revenue growth £m**  
**£1,237m**



**Studios adjusted EBITA growth £m**  
**£206m**



## Strategic Priority 2 continued



“

We have cemented our position as the number one commercial producer in the UK and a leading indie producer in Europe and the US.”

ITV Studios UK performed strongly in 2015 with overall revenues up 19%, with good growth in sales to ITV and to other UK broadcasters. With the acquisition of Mammoth Screen and Twofour Group we have strengthened our production capability across the genres of drama, entertainment, factual entertainment and comedy, as well as helping to drive further growth in our off-ITV commissions. We have delivered series such as *The Graham Norton Show* (BBC1), *24 Hours in A&E* (Channel 4), *10,000 BC* (Channel 5), and following these recent acquisitions our portfolio includes *Poldark* (BBC), *The Voice* (BBC), *Educating Cardiff* (Channel 4) and *Posh Pawn* (Channel 4).

ITV Studios UK is also focused on growing its share of original content commissioned on the ITV main channel. In 2015 ITV Studios delivered 60% of the total spend on original commissions on the ITV main channel. This is a similar proportion to 2014 but in terms of revenue, total sales to Broadcast increased by 12%. New commissions delivered to ITV include *Thunderbirds Are Go!*, *Ninja Warrior UK*, *Home Fires*, *Unforgotten* and *Jekyll & Hyde*.

ITV America also had a strong year with revenues up 36% as it benefited from the delivery of major new dramas and a high volume of programmes from our stable portfolio of unscripted series, including *Duck Dynasty*, *Pawn Stars* and two series of *Hell's Kitchen USA*.

We saw good growth across ITV Studios Rest of World (RoW) with revenues up 124%, where our production bases in Australia, Germany, France, the Netherlands and the Nordics produce original content as well as local versions of ITV Studios formats. This division benefited from the significant acquisition of Talpa Media in the year and also delivered a number of new and returning commissions including *I'm A Celebrity... Get Me Out Of Here!*



### **Hell's Kitchen USA**

Broadcast on the Fox Network and returned for a 14th series in the US in 2015. It has been sold to 196 countries.

in Denmark and Australia, *The Chase* in Norway, *Come Dine With Me* in Sweden, *The Chase*, *Quizduell* and *I'm A Celebrity... Get Me Out Of Here!* in Germany and *A Mother's Son* in France.

In total in 2015 we produced over 7,000 hours of content by our 58 labels, supplying over 90 channels. We have delivered good revenue growth across our three production divisions and we have cemented our position as the number one commercial producer in the UK and have become a leading independent producer in Europe and the US. Over half of our revenues now come from outside the UK as we are becoming an increasingly international business.

### **Investing in content with international appeal**

To become increasingly international we must continue to expand our portfolio of successful series and formats that return and that can be distributed globally. We have a strong mix of programmes across genres and also across their content life cycle which balances our risk and financial exposure. We continue to invest in our pipeline of ideas to ensure that we are adding to our catalogue of programmes every year.





Pictured left to right: The Real Housewives of New Jersey is an American reality series produced by Sirens (a Leftfield company) in the US; Jericho is an eight-part UK period drama on ITV and has been sold to 85 countries.



Demand for drama is growing strongly as standout, original content becomes brand defining for both broadcasters and OTT players in an increasingly competitive global environment. We are looking to leverage our network relationships and international distribution network, to expand our global scripted business and develop a strong portfolio of international and returning drama.

Reflecting the Group's strong financial position and cash generation, we are now able to finance larger-scale scripted projects through working capital. The production cost is partly funded by the initial sale of the series to the broadcaster, while the deficit is recovered through distribution revenue from selling the finished product globally to other broadcasters and platforms. We balance our financial exposure through our portfolio approach, with successful international dramas offsetting the risk that we will not recover the full deficit on every show.

During 2015 we have delivered three major drama series in the US, The Good Witch, Aquarius and Texas Rising, of which The Good Witch and Aquarius have been recommissioned. In the UK we have also delivered or have in production Mr Selfridge s4, Endeavour s3, Poldark s2 and Vera s6 which all have international appeal.

“ Demand for drama is growingly strongly as standout, original content becomes brand defining for both broadcasters and OTT players.”



**Shetland**  
Scottish crime drama produced by ITV Studios UK for the BBC. Currently in its third series in the UK and has been sold to 120 countries.

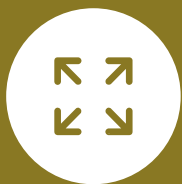
We continue to perform well internationally in the entertainment and factual entertainment genres. In response to continued demand from networks, we have grown a solid portfolio of high volume, high margin formats including Duck Dynasty, Pawn Stars, Come Dine with Me, I'm A Celebrity... Get Me Out Of Here!, Hell's Kitchen USA and The Chase.

Over the last few years we have strengthened our exposure to this genre with a number of partnerships, including in 2015, Possessed Television and Cats on the Roof and most significantly Talpa Media, which we acquired in April 2015 which is focused on developing new entertainment formats that attract large audiences and have significant commercial potential. Benefiting from the creative input of John De Mol and his management team, who will continue to work with ITV, Talpa has created 75 shows and has aired programmes in more than 180 countries over the last six years, including The Voice, The Voice Kids, I Love My Country, Dating in the Dark and Dance Dance Dance.

**2016 and beyond**

We have a very strong international pipeline of programmes and brands across genres and across their content life cycle. New programmes include Victoria, Cold Feet, Tutankhamun, Houdini & Doyle, Married by Mom and Dad and Killing Fields and returning programmes which include Aquarius, Thunderbirds Are Go!, Home Fires, The Good Witch, Poldark, Endeavour, Vera, Coronation Street, Emmerdale, The Voice, The Voice Kids, Pawn Stars, Come Dine With Me, The Chase, I'm A Celebrity... Get Me Out Of Here! and Countdown.

ITV Studios is now a global business and going forward we aim to utilise our scale to grow our market share and expand the number of networks and OTT players we work with, particularly in the US. With a strong portfolio of new and returning programmes we will build further scale internationally, both organically and through partnerships and acquisitions, as we continue to reduce our reliance on the UK market.



## Strategic Priority 3:

Build a global pay and  
distribution business

Pictured: The Voice is produced by  
Netherlands based 2015 acquisition Talpa  
Media. It has been sold to 180 countries.



**As digital media and consumer 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 and experimenting with new ways to distribute our content to broadcasters and platform owners, both free and pay, while also seeking new opportunities to extend the reach of our content for the consumer.**

See page 30 for more

**Capitalising on growing demand for VOD through the ITV Hub**

Changes in technology and the growing base of connected devices are driving rapid growth in audiences' appetite for VOD and in turn fuelling demand from advertisers for VOD inventory. ITV as a creator and owner of content, particularly sought after drama and entertainment content, is well placed to exploit this growing customer base.

Our Online business has grown rapidly over the last few years and is contributing meaningful revenue to the Group. In November we successfully launched the ITV Hub to replace ITV Player and ITV.com across mobile, PC and connected TV, through which audiences can access ITV content on different devices, live or on demand. This is a major step forward in the quality, innovation and ease of use of ITV's online services. The biggest change is that live content is now central to the ITV Hub and live simulcast viewing is becoming increasingly popular particularly around sporting events and large entertainment shows, as viewers are using their connected devices as a television set. Simulcast viewing now represents about 30% of viewing on the platforms on which it is available.

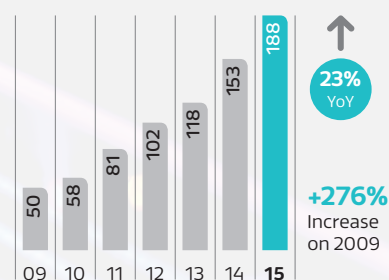
To drive growth in our online audiences and online advertising revenues we have also been working to increase the distribution of the ITV Hub which is now available on 27 platforms, most recently launching on Amazon Fire, YouView Sony and Freeview Play. Long-form video requests continue to grow strongly up 14% in 2015, driven by mobile and connected televisions. Online consumption, which is the measure of how long viewers are spending online, has also increased by 42% reflecting the quality of ITV's content and the improved viewing experience of the ITV Hub.

To date there have been 21 million downloads of our app and to further increase usage we will continually extend and enhance the ITV Hub with improvements in technology and new content, such as premieres, box sets and short-form content.

Overall the new service has been very well received by both audiences and advertisers, with consumption growing strongly since launch, particularly for live viewing where our audiences enjoy the new 'live swipe' feature on smartphones and tablets and the ITV Hub's improved streaming quality.

Additionally, we are working to maximise the value of our digital data. We have introduced new digital advertising features like AdSync+ as well as dynamically-served advertising on ITV's live simulcast channels on PC and Apple platforms. With 13 million registered users of the ITV Hub, we are not only able to understand and engage with our audiences better but we are also developing more targeted advertising online in 2016.

**Online, Pay & Interactive revenue growth**  
**£188m**



# Strategic Priority 3 continued



## “Our Online, Pay & Interactive business is rapidly growing and profitable.”

### Further developing our pay offering in the UK and internationally

ITV earns revenue from pay television through licensing our channels and content. 2015 pay revenue grew by 38% as we continued to develop our services across multiple platforms.

Our pay business in the UK includes deals with Sky and Virgin for our HD channels and catch-up VOD, an advertising free subscription version of the ITV Hub on iOS and a deal with Sky to make ITV's content available through its connected platforms including Sky Go and Now TV. In 2014 we launched our first pay channel, ITV Encore, which we are strengthening with more exclusive content including original commissions such as The Frankenstein Chronicles and Houdini & Doyle and critically acclaimed acquired series such as The Americans and Jordskott.

Outside the UK we have established a number of smaller pay propositions including Cirkus, a subscription VOD service that offers the 'Best of British' content to international pay platforms which is available in the Nordics and more recently in Iceland. We also distribute ITV Essentials, an online service for expats, and ITV Choice, a general entertainment channel for emerging markets which was recently launched in South Africa.

As we look to increase ITV brand loyalty, we have already increased our exposure to new types of content including short-form and younger focused long-form programming and new types of distribution. We are widening our digital reach by expanding our presence on YouTube to bring new audiences to our programmes. In 2015 we launched 22 new ITV branded channels across a range of our biggest programme brands. We saw usage increase over 400% across the year on the ITV branded channels to deliver over 160million views, the equivalent of over 8 million hours of viewing.

Talpa has a very strong digital presence internationally across its range of formats. Since 2014 it has developed 10 successful connected live formats including The Voice, The Voice Kids and Dance Dance Dance, in 40 countries, with 90 apps/sites and 100 YouTube channels, in total delivering over 12 billion views.

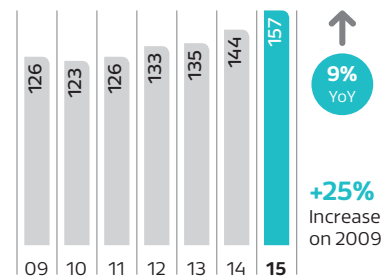
We have made investments in the digital arena as we look to develop our expertise in monetising online audiences. These include: Believe Entertainment Group, a producer of digital-branded short-form entertainment; Zealot, a digital content multi-platform network; Indigenous Media, a producer of scripted digital content; and Channel Mum, the first ever online video network dedicated to young mothers.

Looking ahead we will further develop our pay offering both in the UK and internationally exploring opportunities for both pay and online as we seek to monetise our content further. We will look to do this through a mixed economy of organic growth, partnerships and acquisitions. We will also increasingly look for opportunities to 'window' our content across our free channels, pay channels and the ITV Hub to derive maximum value for audiences, platforms and advertisers.

### Expanding our global distribution network

In 2015 Global Entertainment, the distribution arm of ITV Studios, delivered revenue growth of 9% to £157 million (2014: £144 million) as we have continued to drive value from the investment we have made in creating and owning the rights to quality content with international appeal.

### Global Entertainment revenue growth £m



Our distribution business has a substantial archive of over 40,000 hours of television and film content that we distribute to broadcasters and platform owners around the world. In 2015 we have continued to enhance our distribution network, benefiting from our increased rights ownership and strong network relationships as ITV Studios has grown in scale.

We have a strong and balanced portfolio of scripted and unscripted programmes and formats, both new and returning. We continuously strengthen this using ITV's strong cash flow to create and fund new content and acquire third-party rights. ITV Studios creates new programmes in the key genres of drama, entertainment and factual entertainment.



Pictured left to right: Vera is a British based detective drama in its sixth series on ITV. It has had huge international success and has been sold to 177 countries; Thunderbirds Are Go! is produced by ITV Studios and broadcast on CITV. It has been sold to 90 countries to date.



Reality dating show Love Island generated significant activity on the ITV Hub with 11 million requests on ad-funded platforms across the series. It was the first ITV programme to generate two million views in a week.

Our scripted content has sold well internationally with programmes such as Poldark, Aquarius, Texas Rising, Endeavour, Jekyll & Hyde and Mr Selfridge all selling to over 100 countries. Our entertainment and factual entertainment content also continues to sell well with programmes such as Come Dine With Me, The Voice, The Voice Kids, I Love My Country, The Chase, I'm A Celebrity... Get Me Out Of Here! and the Price of Beauty.

During the year we have also signed a number of new multi-year and multi-territory deals including a seven year deal for Coronation Street with CBC in Canada. In early 2016 we agreed a multi series and territory deal for Thunderbirds Are Go! with Amazon covering the US and India for first run and UK and Germany for second run. We are now starting to benefit from merchandising around Thunderbirds Are Go! as we look to extend the franchise beyond the television set.

Global Entertainment also invests in the funding of scripted content with international appeal. ITV has invested around £160 million in the year, up £60 million, in scripted programmes such as Texas Rising, Aquarius and The Good Witch, two of which have been recommissioned and they are selling well internationally.

In addition to distributing ITV's own content, we have also acquired the third-party distribution rights to a number of international shows including Schitt's Creek from Canada and Nordic thriller Jordskott.

**2016 and beyond**

Looking ahead we expect to deliver double-digit growth in our Online, Pay & Interactive revenues as we further develop our ability to distribute and sell our content. We will continue to invest to enhance the ITV Hub and through a mixed economy of organic growth, partnerships and acquisitions, we will develop our pay and online services and channels and explore new ways to take advantage of demand for quality content in the UK and internationally from consumers, broadcasters and platform owners.

Lastly, we are also continuing to drive the debate around the implementation of retransmission fees in the UK to ensure that we are fairly compensated for our investment in content for the ITV main channel when it is carried on pay TV platforms.

“ Our scripted content has sold well internationally with programmes such as Poldark, Aquarius, Texas Rising, Endeavour and Mr Selfridge all selling to over 100 countries.”

**Talpa Connect**  
Since 2014:

- 10** successful connected live formats
- in **40** countries
- with **90** apps/sites
- and **100** YouTube channels
- with over **12** billion views

# Performance Dashboard

Demonstrating continued progress against our strategic priorities.

Strategic priority	2015 performance
<p><b>1</b></p> <p><b>Maximise audience and revenue share from free-to-air broadcast and VOD business</b></p> 	<ul style="list-style-type: none"> <li>• ITV NAR growth of 6%, ahead of our estimate of the TV advertising market</li> <li>• Share of broadcast up to 46.1% in 2015 (2014: 45.9%)</li> <li>• ITV Family SOV down 3%</li> <li>• ITV delivered 98% of commercial audiences over five million and 93% of audiences over three million</li> <li>• Delivered most watched entertainment drama, soap and sporting event</li> <li>• ITV2 and ITV3 largest digital channels in the UK</li> <li>• Innovative sponsorship and brand extension partnerships with advertisers</li> <li>• Launched AdSync+, a partnership with RadiumOne to amplify the reach of our TV advertising</li> <li>• Dynamic advertising now served to ITV simulcast content on PC and iOS</li> <li>• Significant digital engagement with 100 million votes across our big entertainment shows and 40 million paid competition entries</li> </ul>
<p><b>2</b></p> <p><b>Grow international content business</b></p> 	<ul style="list-style-type: none"> <li>• Good growth across ITV Studios with 8% organic and 33% including the acquisitions</li> <li>• ITV Studios' share of ITV main channel output at 60%</li> <li>• 46% growth in Off-ITV production revenue in the UK</li> <li>• Continued investment in creative pipeline with over 7,000 hours of original content produced and delivered</li> <li>• Completed three acquisitions including Talpa Media, our biggest acquisition to date</li> <li>• 53% of ITV Studios revenue generated outside the UK</li> <li>• Top indie producer across Europe and the US</li> <li>• Delivered three US scripted series in the year, two of which have been recommissioned</li> </ul>
<p><b>3</b></p> <p><b>Build a global pay and distribution business</b></p> 	<ul style="list-style-type: none"> <li>• Successful launch of the ITV Hub</li> <li>• Long-form video requests up 14%, consumption up 42%</li> <li>• 21 million downloads of app and 13 million registered users</li> <li>• Launched new original programming on ITV Encore</li> <li>• New pay deal with Virgin and others including Amazon TVOD and TalkTalk</li> <li>• Cirkus and ITV Choice now launched in four countries</li> <li>• Launched many YouTube channels across our programme brands focusing on short-form content, which has driven very significant views</li> <li>• A leading European distributor of content, with Aquarius, Mr Selfridge, Poldark and Hell's Kitchen USA all sold to over 100 countries</li> <li>• Six formats sold to three or more countries</li> </ul>



Pictured left to right: The Tour de France has been broadcast on ITV4 for eight years; Trevor McDonald presented two documentaries during 2015, with *The Mafia*, broadcast in March being the most watched documentary in Q1 on any channel.



**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:

- Adjusted EBITA
- Adjusted EPS
- Profit to cash conversion
- Non-NAR revenue
- Employee engagement

**Focus for 2016**

- Strengthen on-screen viewing in key demographics
- Further invest in our content, channels and brand to maintain our unique scale
- Grow our share of total television and VOD advertising
- Continue to maximise the value of our programme brands through sponsorship, interactivity and brand extensions
- Developing new and more targeted advertising opportunities
- Developing branded content solutions through our new content creation service ITV AdVentures
- Integration of UTV

**Key Performance Indicators**

- ITV Family SOV
- ITV Family SOCI
- ITV Family share of broadcast
- Percentage of commercial audiences over three million and over five million

📖 See page 18 for more on **Strategic Priority 1**

- Build further scale internationally
- Continue to develop IP in key creative markets to exploit growing worldwide demand
- Build a pipeline of programmes across genres and content life cycle
- Develop more 16 to 24 focused content
- Attract and retain key creative talent
- Continue to look at acquisitions, investments and talent deals

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

📖 See page 22 for more on **Strategic Priority 2**

- Further invest in the quality and distribution of the ITV Hub
- Build a network of pay channels and OTT services
- Consider wider partnerships with OTT/VOD players
- Continue to trial direct to consumer pay opportunities
- Develop innovative new content windowing strategy
- Further grow our international distribution network with high-quality content
- Maximise the use of our strong cash flows to finance the production of high-profile dramas that return and travel internationally
- Invest in developing third-party distribution deals
- Secure retransmission fees in the medium term

- Total long-form video requests
- Number of new commissions for ITV Studios

📖 See page 26 for more on **Strategic Priority 3**

# 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. Our KPIs have not changed over the year.

## Our strategic priorities

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

## Financial

### Adjusted EBITA



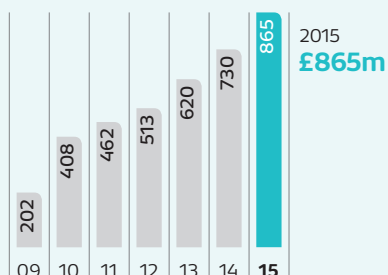
#### Definition

This is the key profitability measure used across the whole business. Earnings before interest, tax and amortisation (EBITA) is before exceptional items and has been adjusted to include the benefit of production tax credits. It 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 2015 adjusted EBITA increased by £135 million or 18%. This increase was a result of the 15% increase in Group external revenue which was driven by a 6% increase in Net Advertising Revenue, a 23% increase in Online, Pay & Interactive revenue and a 124% increase in ITV Studios Rest of World revenue driven by the acquisition of Talpa.

Group EBITA margin once again increased, up to 29% from 28% in 2014.



### Adjusted EPS



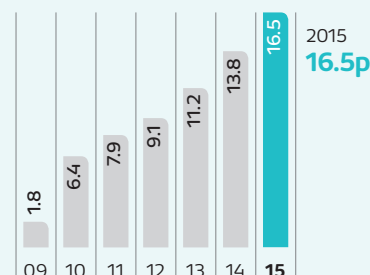
#### Definition

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 tax adjustments relating to these items.

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 20% or 13.8p to 16.5p. This reflects the increase in adjusted EBITA of 18%.



### Profit to cash conversion



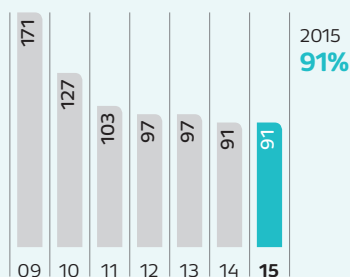
#### Definition

Profit to cash conversion represents the proportion of adjusted 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%. This is despite our continued investment in scripted content and demonstrates our continued focus on working capital management.



### Non-NAR revenue



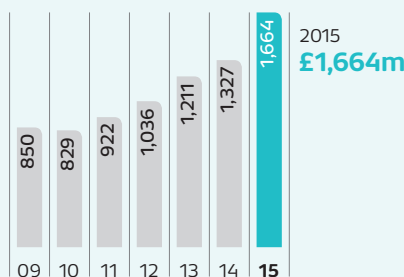
#### Definition

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 (spot advertising revenues).

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

#### Performance

Non-NAR revenue increased by 25% in 2015 as we continue to rebalance the business away from a reliance on NAR. Growth was driven by ITV Studios revenues which saw both organic and acquisition revenues increase, and from Online and Pay revenue. Non-NAR revenues were 49% of total revenues which has increased significantly since 2009 when it was 40%.



## Non-financial

### Employee engagement



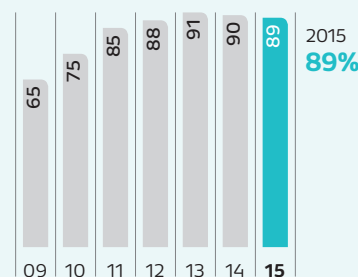
#### Definition

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 89% which is above the benchmark rate of 83%. The participation rate was 74%.





# Key Performance Indicators continued

## Strategic

### ITV Family SOV



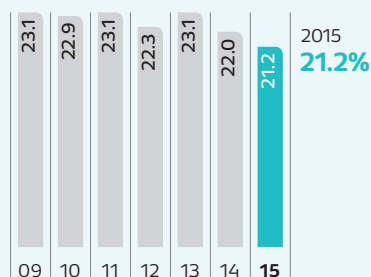
#### Definition

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

ITV Family SOV declined by 3% in 2015 to 21.2%. Within this, the ITV main channel saw a decline of 4% impacted by the launch of new free digital channels, some of our shows not performing as well as we had expected, particularly in the first half of the year and by the relatively strong performance of the BBC. The digital channels were down 3%.

ITV Family SOV improved in the second half of 2015 with strong performances in Daytime, the Soaps, Sport and Entertainment.



### ITV Family SOCI



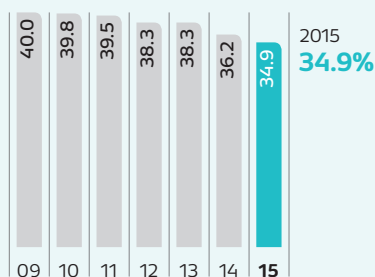
#### Definition

Strategic Priority 1 aims to maximise audience share from our existing free-to-air Broadcast business, and ITV Family SOCI is another 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.

SOCI provides an overall measure of viewing performance, however because advertisers are buying scale and breadth of audience, SOCI is not necessarily a direct indicator of advertising performance.

#### Performance

ITV Family SOCI declined by 4%, with the main channel down 4%. The digital channels SOCI was down 3%.



### ITV Family share of broadcast



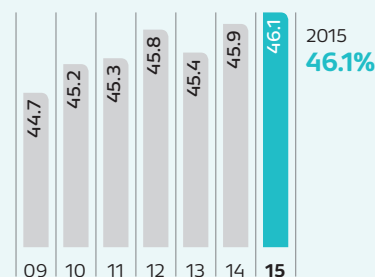
#### Definition

ITV's share of UK television spot 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 increasingly difficult to measure the total television advertising market as all broadcasters have different definitions and include other sources of revenue, such as sponsorship and VOD in their estimates of television advertising. Our share of broadcast is based on our estimate of the pure spot advertising market.

#### Performance

In 2015 we gained market share again, increasing our share of broadcast to 46.1%. This is as a result of our unique ability to deliver mass audiences across the key demographics to our advertisers.



**Our strategic priorities**

-  Maximising
-  Growing
-  Building

**Total long-form video requests**



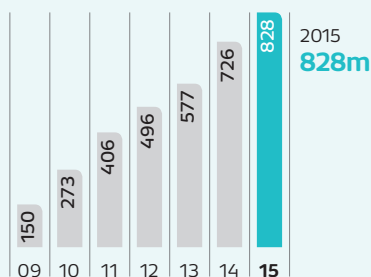
**Definition**

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 the ITV Hub 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 14% in 2015 to 828 million views. To support growth in our online audiences we launched the ITV Hub in November 2015 and have improved our mobile apps and simulcast offering. Online consumption, which is the measure of how long viewers are spending online, is becoming increasingly important as an indicator of online performance and this has increased by over 40% in 2015.



**Number of new commissions for ITV Studios**



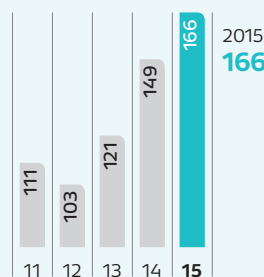
**Definition**

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 2015, up 11% to 166. Fifty-eight of these new commissions have come from the UK business, with the remaining 108 coming from our international businesses.

We continue to invest in our creative pipeline both organically and through acquisitions.



**Percentage of ITV\* output from ITV Studios**



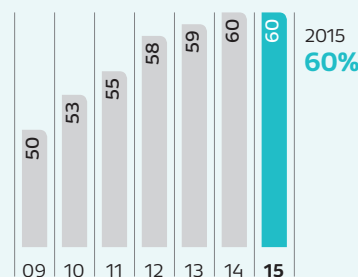
**Definition**

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, benefiting from our integrated producer broadcaster status.

**Performance**

The percentage of ITV output from ITV Studios has remained flat in 2015, although the value has increased as ITV's total original commissions has increased. Several ITV Studios programmes created in 2015 have now been distributed around the world including Thunderbirds Are Go!, Mr Selfridge, The Chase and I'm A Celebrity... Get Me Out Of Here!

\* ITV Main Channel only.



# Financial and Performance Review

ITV delivered another strong performance in 2015 with growth across the business.



We remain highly cash generative which, together with our continued focus on costs, places us in a strong position to invest for further growth and enhance shareholder value into 2016 and beyond.”



Reflecting our continued investment in quality content, we grew revenue across all parts of the business and reported our sixth consecutive year of double-digit growth in our key profit measures, while further improving our adjusted EBITA margin. We remain highly cash generative which, together with our continued focus on costs, places us in a strong position to invest for further growth and enhance shareholder value into 2016 and beyond.

Twelve months to 31 December	2015 £m	2014 £m	Change £m	Change %
NAR	1,719	1,629	90	6
Total non-NAR	1,664	1,327	337	25
<b>Total revenue</b>	<b>3,383</b>	2,956	427	14
Internal supply	(411)	(366)	45	12
<b>Group external revenue</b>	<b>2,972</b>	2,590	382	15
<b>Adjusted EBITA</b>	<b>865</b>	730	135	18
Group adjusted EBITA margin	29%	28%		
<b>Adjusted EPS</b>	<b>16.5p</b>	13.8p	2.7p	20
<b>Adjusted diluted EPS</b>	<b>16.3p</b>	13.7p	2.6p	19
<b>Dividend per share</b>	<b>6.0p</b>	4.70p	1.3p	28
<b>Special dividend</b>	<b>10.0p</b>	6.25p	-	-
<b>Net (debt)/cash as at 31 December</b>	<b>(319)</b>	41	(360)	-

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

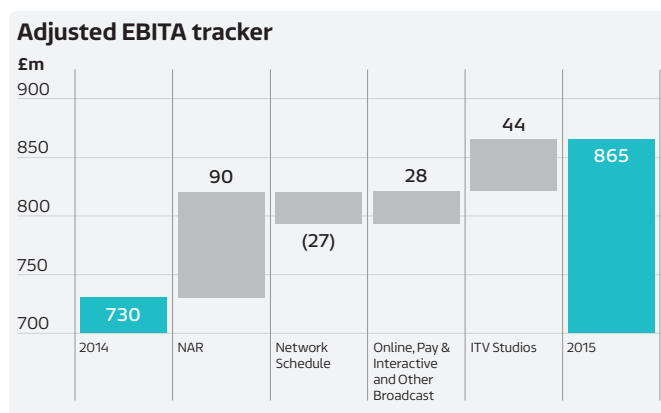
Twelve months to 31 December	2015 £m	2014 £m	Change £m	Change %
Profit before tax	641	605	36	6
EPS	12.4p	11.6p	0.8p	7
Diluted EPS	12.3p	11.5p	0.8p	7

Total ITV revenue increased 14% to £3,383 million (2014: £2,956 million), with external revenue up 15% at £2,972 million (2014: £2,590 million). This reflects 6% growth in NAR to £1,719 million (2014: £1,629 million), and 25% growth in non-NAR revenue to £1,664 million (2014: £1,327 million). Non-NAR now accounts for 49% (2014: 45%) of total revenue.



Growth in NAR and high margin Online, Pay & Interactive revenue combined with the growth in ITV Studios and our continued focus on costs, delivered an 18% increase in adjusted EBITA to £865 million (2014: £730 million), resulting in a 1% improvement in the adjusted EBITA margin to 29%. Adjusted EPS grew 20% to 16.5p (2014: 13.8p) while reported EPS grew 7% to 12.4p (2014: 11.6p). Reported EPS grew at a slower rate than adjusted EPS primarily because of the treatment of employment linked consideration for our acquisitions which is included within reported earnings. This is explained over the following pages.

We remain focused on balance sheet efficiency and working capital management. Despite increased investment in scripted content, our profit to cash ratio remained strong at 91%. After acquisitions of £406 million (net of cash acquired), dividend payments of £459 million and our deficit pension contributions of £90 million, we ended 2015 with net debt of £319 million (31 December 2014: net cash of £41 million). This gives us the financial flexibility to continue to invest in the business.



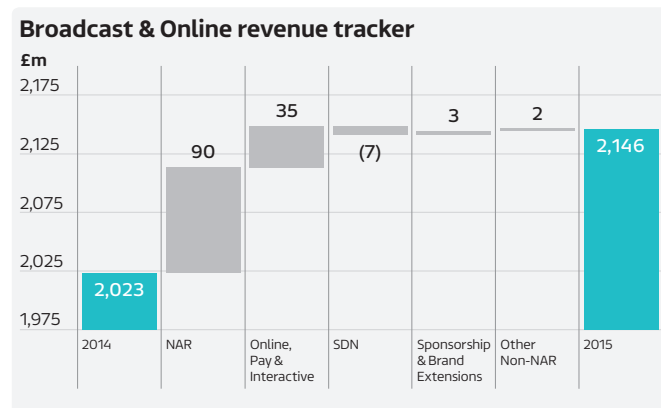
The Financial and Performance Review focuses on the adjusted results, which, in management's view, reflect the underlying performance of the business, providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

The key adjustments are to reflect production tax credits in EBITA before exceptional items ('adjusted EBITA') and remove the effect of certain items from adjusted profit before tax and EPS. These include all operating and non-operating exceptional items primarily acquisition-related costs such as: employment linked consideration and professional fees for due diligence; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including formats and customer contracts; net financing cost adjustments; and tax adjustments relating to these items. A full reconciliation between our adjusted and statutory results is provided on page 43.

### Broadcast & Online

Twelve months to 31 December	2015 £m	2014 £m	Change £m	Change %
<b>NAR</b>	<b>1,719</b>	1,629	90	6
Online, Pay & Interactive revenue	188	153	35	23
SDN external revenue	64	71	(7)	(10)
Other commercial income	175	170	5	3
<b>Broadcast &amp; Online non-NAR revenue</b>	<b>427</b>	394	33	8
<b>Total Broadcast &amp; Online revenue</b>	<b>2,146</b>	2,023	123	6
Total schedule costs	(1,045)	(1,018)	(27)	(3)
Other costs	(442)	(437)	(5)	(1)
<b>Total Broadcast &amp; Online adjusted EBITA</b>	<b>659</b>	568	91	16
Adjusted EBITA margin	31%	28%		

Broadcast & Online delivered another strong performance, with total revenue up 6% to £2,146 million (2014: £2,023 million) driven by 6% growth in NAR and 23% growth in Online, Pay & Interactive.



The television advertising market again showed strong growth with NAR up 6% to £1,719 million (2014: 1,629 million) and continued good growth across all the major advertising categories. The Finance advertising category was driven by traditional banking brands and the Retail and Food sectors remained strong with supermarkets and furniture stores increasing spend. We saw strong growth from technology companies such as Google and Facebook as well as new digital brands, such as Just Eat and Purple Bricks, all using TV to build brand awareness. Entertainment & Leisure did see a decline which was as a result of significant spend by bookmakers in 2014 around the Football World Cup.

## Financial and Performance Review continued

### 2015 advertising category analysis

- Retail **20%**
- Finance **10%**
- Entertainment & Leisure **9%**
- Food **8%**
- Cosmetics & Toiletries **7%**
- Cars & Car Dealers **6%**
- Airlines, Travel & Holidays **5%**
- Telecommunications **5%**
- Publishing & Broadcasting **4%**
- Pharmaceuticals **3%**
- Other **23%**



As expected, the phasing of NAR was different in 2015 reflecting the timing of major sporting events. The first quarter saw strong growth of 12% benefiting from an earlier Easter, while the second quarter was flat against a strong Q2 2014 which benefited from the Football World Cup. The third quarter was up 8% with increased spend around the Rugby World Cup with the fourth quarter up 4%. Overall ITV's underlying advertising performance was consistently strong in both the first and second halves of the year.

Over the full year we increased our estimated share of broadcast to 46.1% (2014: 45.9%) as we once again outperformed our estimate of the UK television advertising market. It is becoming increasingly difficult to measure the pure spot advertising market as all broadcasters use different definitions, which may include additional sources of revenue such as sponsorship and VOD in their estimates of television advertising.

ITV Family SOV declined 3% in 2015. This reflects a 4% decline in the ITV main channel SOV which was impacted by more competition from the launch of new digital channels in the year including Spike and Your TV, some of our shows not performing as well as we had expected and the relatively strong performance of the BBC. ITV2 also contributed to the decline, partly as a result of our repositioning of the channel to provide more targeted audiences for our advertisers. We remain focused on strengthening our viewing performance and continuing to deliver mass audiences.

Online, Pay & Interactive revenue continued to show strong growth, up 23% to £188 million (2014: £153 million) reflecting further growth in both our online advertising and pay businesses. In November we successfully launched the ITV Hub, the new digital home for our online services, which has had a very encouraging start. Audience demand for VOD continues to grow strongly which helped drive a 14% increase in long-

form video requests and 42% increase in consumption. There remains strong demand for online advertising which helped drive significant growth in online revenue. We continue to develop our pay services with Pay revenue benefiting from a full twelve months of revenue from ITV Encore and strong demand for ITV video on demand services. Interactive revenue was up in the year with daytime competitions performing well. Voting on our programme apps increased exponentially as we introduced a free voting strategy. X Factor delivered 24 million votes and I'm A Celebrity... Get Me Out Of Here! delivered total votes of over 56 million.

SDN external revenue, which is generated from licence sales for DTT Multiplex A, decreased 10% to £64 million (2014: £71 million). This was as a result of lower renewal fees for existing long-term contracts which expired during the year.

Other commercial income was up 3% to £175 million (2014: £171 million), reflecting growth in sponsorship for the Rugby World Cup and brand extensions through a number of innovative solutions including Land Rover and SSE for the Rugby World Cup and Aunt Bessie's for I'm A Celebrity...Get Me Out Of Here! 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. As expected, performance across both revenue streams was largely unchanged.

Schedule costs were up 3% to £1,045 million (2014: £1,018 million) predominantly due to the full year costs of ITVBe and ITV Encore. Sports rights savings on the FA Cup and Champions League were partly offset by the costs of the Rugby World Cup. Going forward we believe that this is around the right level of programme spend although the genre mix will change each year.

Other Broadcast costs increased marginally, up 1% to £442 million (2014: £437 million). We maintain a tight control on costs and will continue to deliver savings to mitigate inflationary pressure.

Overall Broadcast & Online adjusted EBITA was up 16% to £659 million (2014: £568 million). The continued growth in our highly geared advertising revenue, together with high margin revenue growth in Online, Pay & Interactive, resulted in the adjusted EBITA margin increasing 3% to 31% (2014: 28%).

On 29th February 2016, ITV completed its acquisition of 100% of UTV Ltd, which owns the television assets of UTV Plc, for £100 million. This will further strengthen ITV's free-to-air business and enable it to run a more efficient network. As part of the transaction ITV has taken on responsibility for the UTV defined benefit pension scheme.

### ITV Studios

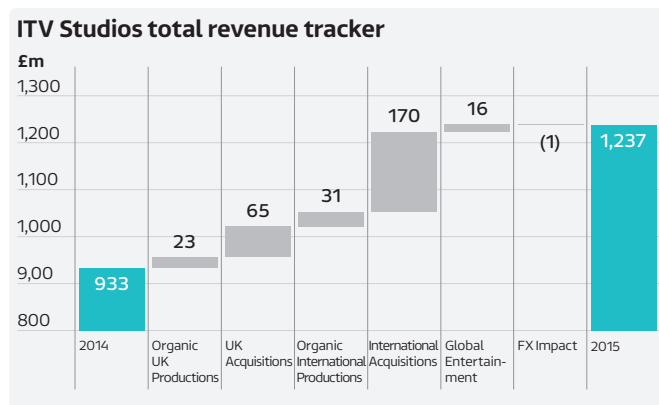
Twelve months to 31 December	2015 £m	2014 £m	Change £m	Change %
Studios UK	547	459	88	19
Studios US	320	235	85	36
Studios RoW	213	95	118	124
Global Entertainment	157	144	13	9
<b>Total Studios revenue</b>	<b>1,237</b>	<b>933</b>	<b>304</b>	<b>33</b>
Total Studios costs	(1,031)	(771)	(260)	(34)
<b>Total Studios adjusted EBITA*</b>	<b>206</b>	<b>162</b>	<b>44</b>	<b>27</b>
Studios adjusted EBITA margin	17%	17%		

\* Includes the benefit of production tax credits.

Twelve months to 31 December	2015 £m	2014 £m	Change £m	Change %
Sales from ITV Studios to Broadcast & Online	411	366	45	12
External revenue	826	567	259	46
<b>Total Studios revenue</b>	<b>1,237</b>	<b>933</b>	<b>304</b>	<b>33</b>

ITV Studios total revenue grew strongly, exceeding £1 billion for the first time as we continue to build scale in creative content markets and strengthen our international portfolio of programmes that return and travel. ITV Studios is becoming increasingly international, and reflecting our growth and increasing scale in key production markets in Europe and the US, 53% of ITV Studios total revenue in the year was generated outside the UK (2014: 47%).

Total organic revenue, which excludes our current and prior year acquisitions as well as foreign exchange movements, was up 8%. There was growth across the business, with a particularly strong performance from ITV America and Global Entertainment. Our acquisitions continue to come through, with twelve months of Leftfield Entertainment as well as Talpa Media from 30 April 2015 and our UK acquisitions including Twofour Group from 24 June 2015. The foreign exchange impact was immaterial as the stronger US dollar was offset by our greater exposure to a weakening Euro following the Talpa acquisition.



Studios UK revenue was up 19% to £547 million (2014: £459 million) reflecting 13% growth in internal revenue and 39% growth in external revenue. Organic revenue was up 5%. There were increased programming sales to Broadcast across both drama and entertainment, with new deliveries including The Trials of Jimmy Rose, Unforgotten, Home Fires, Thunderbirds Are Go! and Ninja Warrior UK. Successful recommissions On-ITV included Saturday Night Takeaway, The Chase and Judge Rinder. Off-ITV revenue grew strongly with successful deliveries including Poldark and The Graham Norton Show for the BBC and Come Dine With Me and 24 Hours in A&E for Channel 4.

ITV America grew strongly in 2015, with revenue up 36% to £320 million (2014: £235 million) as we benefited from good organic growth, up 15% driven by the delivery of our three US dramas, Best Time Ever, a US remake of Saturday Night Takeaway, and two series of Hells Kitchen. ITV America also benefited from the first full year of Leftfield Entertainment, acquired in May 2014. Following this acquisition, we became the largest unscripted independent producer in the US and we now have a strong portfolio of returning series and formats including Hell's Kitchen, Pawn Stars, Duck Dynasty, Marriage Bootcamp, The Real Housewives of New Jersey and The Rich Kids Of Beverly Hills.

Studios RoW also showed strong growth, up 124% to £213 million (2014: £95 million), with organic revenue up 4%. We have benefited from Talpa Media which we acquired on 30 April 2015, significantly strengthening our position as a leading international producer. We also saw good growth in Australia and Denmark from exporting UK formats. 2015 deliveries included I'm A Celebrity... Get Me Out Of Here! in Australia and Denmark, The Chase in Germany and Norway, and Hell's Kitchen in France.

Global Entertainment revenue increased 9% in the year to £157 million (2014: £144 million). Revenue growth was supported by our strong programme slate including new titles Poldark and Schitt's Creek, as well as US drama Aquarius and the launch of Thunderbirds Are Go!, which has now been sold to 90 countries with key territories such as the US and France launching in 2016. We expect to benefit from merchandising around the series as we continue to extend the franchise beyond the television set.

Reflecting the strong revenue growth across ITV Studios, adjusted EBITA increased 27% to £206 million (2014: £162 million). The adjusted EBITA margin remains unchanged at 17% even after significant investment in scripted content. In 2015 we invested £163 million in scripted content, up £60 million. We are financing our larger-scale scripted projects through our strong underlying cashflows. The production cost is partly funded by the initial sale of the series to a broadcaster,



## Financial and Performance Review continued

while the deficit is recovered through distribution revenue from selling the finished product globally to other broadcasters and platforms. We balance our financial exposure through our portfolio approach, with successful international dramas offsetting the risk that we will not recover the full deficit on every show.

Overall, we delivered many creative successes in the year, including two of our US dramas – Aquarius and The Good Witch being recommissioned. Given the nature of our business not all our programmes will return for another series in 2016, for example Jekyll & Hyde and Best Time Ever, but we have a strong portfolio of programmes and formats and we will continue to invest in our creative pipeline to build upon this. We are on track to deliver good revenue and profit growth in 2016, primarily driven by our acquisitions.

### Acquisitions

We have built scale in our international content business, focusing our growth in key creative markets that have a track record for creating and owning intellectual property. Since 2012 we have acquired a number of content businesses in the UK, US and creative locations across Europe, developing a strong portfolio of programmes that return and travel. As we have grown in size and expanded our network relationships and distribution capability, this has helped to strengthen our creative talent pool and build our reputation as a leading European producer and the largest unscripted independent production company in the US.

We have strict criteria for evaluating potential acquisitions. Financially, we assess ownership of intellectual property, earnings growth and valuation based on return on capital employed and discounted cash flow. Strategically, we ensure an acquisition target has a strong creative track record and pipeline in content genres that return and travel, namely drama, entertainment and factual entertainment, as well as succession planning for key individuals in the business.

We generally structure our deals with earnouts or with 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. The majority of earnouts or put and call options are dependent on the seller remaining within the business. Where consideration paid or contingent consideration payable in the future is employment linked, it is treated as an expense in our statutory results rather than as capital. All consideration of this type is excluded from adjusted profit after tax and adjusted EPS as, in our view, these items are part of capital consideration.

In April 2015 we completed the acquisition of 100% of Talpa Media in the Netherlands, the creator of worldwide entertainment formats, including The Voice, The Voice Kids, I Love My Country, Dating In The Dark and Dance Dance Dance. We paid an initial cash consideration of €500 million (€362 million) for 100% of Talpa's fully diluted share capital with further payments dependent on Talpa's future performance. The total maximum consideration, including the initial payment, is up to €1.1 billion which is contingent on Talpa continuing to deliver significant profit growth to 2022 as well as John de Mol's continued commitment to the business during this time. Under the deal structure, because all future payments and €150 million of the initial consideration are directly related to John de Mol remaining with the business, these payments are treated as employment costs and therefore on a statutory basis are part of our reported results. However, we exclude them from adjusted profits as an exceptional item, which is consistent with our treatment of all costs of this type.

We also acquired a minority stake in Monumental Television in April, the UK scripted independent producer founded by Oscar nominated film producers Alison Owen and Debra Hayward. As part of the agreement, Global Entertainment acquired exclusive distribution rights to all of its future television productions.

In May we acquired the remaining 75% of Mammoth Screen, one of the UK's leading scripted production companies, having held a 25% investment in the producer since 2007. Its successful slate of high-end drama includes Poldark, Endeavour and the forthcoming Victoria.

In June we completed the acquisition of Boom Supervisory Limited, the holding company of UK based Twofour Group which produces factual entertainment and drama programmes. We paid an initial cash consideration of £55 million for 75% of the Group. There is a put and call option for the remaining 25% that can be exercised at the end of 2017 and between the end of 2019 and 2021. Additionally, Twofour has a put and call option to acquire the remaining 49% of its subsidiary Mainstreet Pictures that can be exercised between 2018 and 2023. The total maximum consideration for 100% of the business is £280 million with contingent payments dependent on delivering exceptional profit growth to £60 million in aggregate over the final two-year payment period and key individuals remaining with the Group.

Also in June we acquired a new label, Cats on the Roof Media which owns a number of creative labels focused on developing entertainment and scripted comedy programmes.

### Acquisitions – 2012 to 2015 (undiscounted)

Company	Geography	Genre	Initial consideration (£m)	Expected future payments (£m)	Total expected consideration <sup>1</sup> (£m)	Expected payment period	Total maximum consideration (£m)
<b>2015</b>							
Talpa Media	Netherlands	Entertainment	362	186	548	2015–2019	796
Twofour Group	UK	Fact Ent & Drama	55	10	65	2016–2021	280
Other	UK	Various	15	28	43	2015–2020	81
<b>Total for 2015</b>			<b>432</b>	<b>224</b>	<b>656</b>		<b>1,157</b>
Total for 2012–2014			328	79 <sup>2</sup>	407	2016–2021	588 <sup>2</sup>
<b>Total</b>			<b>760</b>	<b>303</b>	<b>1,063</b>		<b>1,745</b>

1. Including the initial cash consideration and excluding working capital adjustments. All future payments are performance related.
2. The amounts have been updated to reflect the accelerated buyout of the remaining 20% of Leftfield.

In December Brent Montgomery, the CEO of Leftfield, became CEO of ITV America. In order to facilitate the integration of Leftfield within the US business, we acquired the outstanding 20% of Leftfield which we did not own. The original terms under which ITV acquired its initial 80% interest included potential future payments linked to Leftfield's profit growth and put and call options under which ITV would acquire the remaining 20%. In consideration for the acquisition of the outstanding 20%, these arrangements have been cancelled and ITV has assumed certain obligations of Brent Montgomery in relation to Leftfield, most notably settlement of the earnouts for its subsidiaries. There was no cash consideration payable at the time by ITV. The maximum consideration payable by ITV for the remaining obligations under the Leftfield acquisition is \$100m and is dependent on future performance and is linked to ongoing employment.

The 2015 acquisitions we have made have resulted in a £297 million increase in intangible assets, mainly relating to Talpa formats and £102 million of goodwill.

The table above sets out the initial consideration payable on our acquisitions, our expected future payments based on our current view of performance and the total maximum consideration payable which is only payable if exceptional compound earnings growth is delivered.

We closely monitor the forecast performance of each acquisition and where there has been a change in expectations, we adjust our view of potential future commitments through the income statement.

Total expected consideration for all acquisitions since 2012 has increased by £656 million since 2014. This relates to the total expected amount payable for our 2015 acquisitions. This is made up of the initial consideration of £432 million (£406 million plus the cash acquired) and expected future payments which are only payable if significant compound earnings growth is delivered.

### Net financing costs

Twelve months to 31 December	2015 £m	2014 £m
Financing costs directly attributable to loans and bonds	(10)	(8)
Cash-related net financing (costs)/income	(3)	2
<b>Cash-related financing costs</b>	<b>(13)</b>	<b>(6)</b>
Amortisation of bonds	–	(1)
<b>Adjusted financing costs</b>	<b>(13)</b>	<b>(7)</b>
Mark-to-market on swaps and foreign exchange	(4)	(9)
Imputed pension interest	(10)	(17)
Losses on buybacks	–	(30)
Other net financial (loss)/income	(4)	12
<b>Net financing costs</b>	<b>(31)</b>	<b>(51)</b>

Adjusted financing costs increased to £13 million (2014: £7 million), due to increased borrowing for the acquisition of Talpa and costs associated with raising the funding which included the initial €500 million acquisition bridge loan that was repaid in September following the issue of the seven year €600 million Eurobond.

Net financing costs are adjusted to reflect the underlying funding costs of the business providing a more meaningful comparison of how the business is managed and funded on a day-to-day basis. These adjustments include mark-to-market on swaps and foreign exchange, imputed pension interest, losses on debt buybacks and other financial loss/income.

Net financing costs were £20 million lower in 2015 at £31 million (2014: £51 million), as the prior year included losses incurred on the repurchase of the remaining £62 million 2019 bilateral loan. This was partially offset by the reduction in other net financial income, which in 2014 related to a reduction in expected future payments for acquisitions as a result of ITV's assessment of their future performance. The imputed pension charge also decreased as a result of the reduction in pension liabilities.

# Financial and Performance Review continued

## Profit before tax

Adjusted profit before tax, after financing costs, was up 18% at £843 million (2014: £712 million). Profit before tax is adjusted to reflect the impact of production tax credits, net exceptional items, amortisation and impairment of intangible assets and the adjustments to net financing costs, to reflect the underlying performance of the business. Statutory profit before tax increased by 6%, which is less than the increase in adjusted profit before tax, as a result of the exceptional items described below.

### Profit before tax (PBT)

Twelve months to 31 December	2015 £m	2014 £m
Profit before tax	641	605
Production tax credits	23	–
Exceptional items (net)	103	7
Amortisation and impairment of intangible assets*	58	56
Adjustments to net financing costs	18	44
<b>Adjusted profit before tax</b>	<b>843</b>	<b>712</b>

\* In respect of intangible assets arising from business combinations.

Production tax credits are recognised in adjusted PBT as in our view they relate directly to the production of programmes and reflect the way the business is managed and measured on a day-to-day basis. The ability to access these tax credits is fundamental when assessing the viability of investment decisions in high-end drama. ITV considers these to be part of the overall cost of production rather than a corporate tax item. In 2015 significant tax credits were available to us because of our investment in high-end drama in the UK.

Exceptional items are set out in the table below. Operating exceptional items largely relate to acquisition related expenses which are predominantly performance based employment linked consideration, in particular regarding Talpa as discussed earlier. Other operating exceptional items relate to restructuring costs in particular in relation to the US business. Non-operating income relates to the gain on the sale of the freehold property in Manchester.

### Exceptional items

Twelve months to 31 December	2015 £m	2014 £m
Operating exceptional items:		
Acquisition related expenses	(88)	(6)
Reorganisation and restructuring costs	(13)	(6)
Other, including one-off legal costs	(8)	–
	(109)	(12)
Non-operating exceptional items:	6	5
<b>Total exceptional items (net)</b>	<b>(103)</b>	<b>(7)</b>

Amortisation and impairment of intangible assets acquired through business combinations is not included within adjusted earnings. However, amortisation of software licences and development is included as management considers these assets to be core to supporting the operations of the business.

## Tax

The total adjusted tax charge for 2015 was £177 million (2014: £151 million), corresponding to an effective tax rate on adjusted PBT of 21% (2014: 21%) which is broadly in line with the standard UK corporation tax rate of 20.25% (2014: 21.5%). The adjustments made to reconcile the tax charge with the adjusted tax charge are the tax effects of the adjustments made above to reconcile PBT and adjusted PBT.

Twelve months to 31 December	2015 £m	2014 £m
Tax charge	(139)	(132)
Production tax credits	(23)	–
Charge for exceptional items	(8)	(2)
Charge in respect of amortisation of intangible assets*	(4)	(12)
Charge in respect of adjustments to net financing costs	(3)	(10)
Other tax adjustments	–	5
<b>Adjusted tax charge</b>	<b>(177)</b>	<b>(151)</b>
<b>Effective tax rate on adjusted profits</b>	<b>21%</b>	<b>21%</b>

\* In respect of intangible assets arising from business combinations. Also reflects the cash tax benefit of tax deductions for US goodwill. In 2014, this was included in other tax adjustments.

Cash tax paid in the year was £117 million (2014: £85 million), the majority of which is paid in the UK. The 2015 cash figure is net of production tax credits received in the year. The cash tax paid is lower than the total tax charge for 2015 largely due to the tax treatment of allowable pension contributions.

ITV is a responsible business, and we take a responsible attitude to tax, recognising that it affects all of our stakeholders. We seek at all times to comply with the law in each of the jurisdictions in which we operate, and to build open and transparent relationships with those jurisdictions' tax authorities. Our tax strategy is in line with that of the business and its commercial activities, and within our overall governance structure, the governance of tax and tax risk is given a high priority by the Board and Audit Committee, including through the operation of the Tax & Treasury Committee.

## EPS

Overall, adjusted profit after tax was up 19% at £666 million (2014: £561 million). After non-controlling interests of £7 million (2014: £7 million), adjusted basic earnings per share was 16.5p (2014: 13.8p), up 20%. The weighted average number of shares was broadly in line at 4,006 million (2014: 4,002 million).



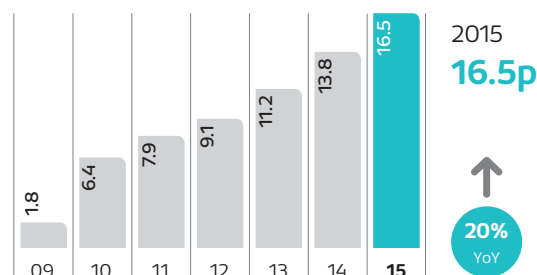
Diluted adjusted EPS in 2015 was 16.3p (2014: 13.7p) reflecting a weighted average diluted number of shares of 4,035 million (2014: 4,040 million).

The table below reconciles basic to adjusted EPS and the adjustments are explained in the previous sections.

Twelve months to 31 December 2015	Reported £m	Adjustments £m	Adjusted £m
EBITA*	842	23	865
Exceptional items (operating)	(109)	109	-
Amortisation and impairment of intangible assets	(67)	58	(9)
<b>Operating profit</b>	666	190	856
Net financing costs	(31)	18	(13)
Gain on sale of non-current assets and subsidiaries (non-operating exceptional items)	6	(6)	-
<b>Profit before tax</b>	641	202	843
Tax	(139)	(38)	(177)
<b>Profit after tax</b>	502	164	666
Non-controlling interests	(7)	-	(7)
<b>Earnings</b>	495	164	659
Shares (million), weighted average	4,006		4,006
<b>EPS (p)</b>	12.4		16.5

\* £23 million adjustment relates to production tax credits.

### Adjusted EPS £m



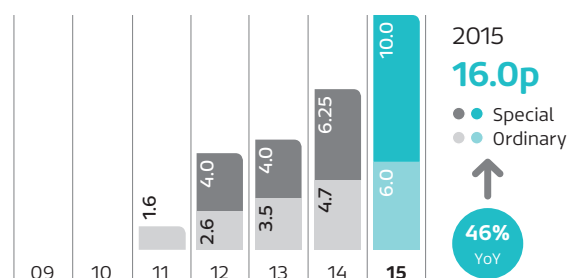
### Dividend per share

The Board has committed to growing the full year ordinary dividend by at least 20% per annum for three years to 2016, by which time we will achieve a dividend cover of between 2.0 and 2.5x adjusted earnings per share. Reflecting ITV's strong performance in 2015 and in line with its policy, the Board has proposed a final dividend of 4.1p. This equates to a full year dividend of 6.0p, up 28%, which is well ahead of earnings growth and is a significant step forward in taking ITV's dividend cover closer to its policy range.

The Board is also proposing a 10.0p special dividend, worth just over £400 million, which comes after a year of significant investment at ITV and reflects ITV's strong cash generation and the Board's confidence in the business. Adjusted for this

special distribution ITV's pro forma leverage would be 0.8x reported net debt to adjusted EBITDA, which provides flexibility to continue to invest in the business for further growth.

### Dividend per share p



### Cash generation

#### Profit to cash conversion

Twelve months to 31 December	2015 £m	2014 £m
<b>Adjusted EBITA</b>	<b>865</b>	730
Decrease/(increase) in programme rights and other inventory distribution rights	4	(39)
(Increase)/decrease in receivables	(21)	18
Production tax credits	(13)	-
Decrease in payables	(42)	(48)
<b>Working capital movement</b>	<b>(72)</b>	(69)
Depreciation	27	27
Share-based compensation and pension service costs	17	14
<b>Cash flow generated from operations before exceptional items</b>	<b>837</b>	702
Acquisition of property, plant and equipment and intangible assets	(49)	(37)
<b>Adjusted cash flow</b>	<b>788</b>	665
<b>Profit to cash ratio</b>	<b>91%</b>	91%

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

ITV remains highly cash generative reflecting our continued focus on cash and costs. In 2015 there was another working capital outflow as we continued to invest in our creative pipeline.

In the year we generated £788 million of operational cash (2014: £665 million) from £865 million of adjusted EBITA (2014: £730 million), which equates to a strong profit to cash ratio of 91%. The ratio has remained the same despite our increased investment in scripted content and demonstrates our disciplined approach to cash and costs.

# Financial and Performance Review continued

Cash spent on the acquisition of property, plant and equipment and intangible assets increased year-on-year as we invest in infrastructure to support the business.

The difference between the reported and adjusted cash flow in 2015 relates to the cash inflow from production tax credits which ITV considers a working capital item.

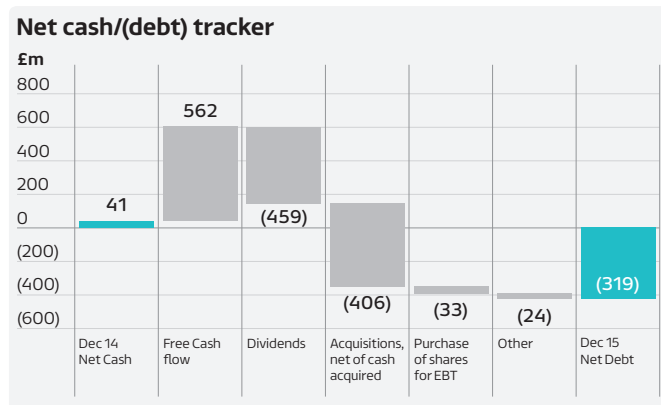
### Free cash flow

Twelve months to 31 December	2015 £m	2014 £m
Adjusted cash flow	788	665
Net interest paid	(9)	(11)
Adjusted cash tax	(127)	(85)
Pension funding	(90)	(91)
<b>Free cash flow</b>	<b>562</b>	478

Note: Adjusted cash tax is total cash tax paid excluding receipt of production tax credits which are included within adjusted cashflow.

After payments for interest, tax and pension funding, our free cash flow also remained strong in the period, up 18% to £562 million (2014: £478 million).

Overall, after dividends, acquisitions and debt repayments we ended the year with net debt of £319 million, compared to net debt of £540 million at 30 June 2015 and £41 million net cash at 31 December 2014. Our cash generation was weighted towards the second half of 2015 due to the payment of the special dividend and the significant acquisition of Talpa, all of which took place in the first half of 2015.



### Funding and liquidity

#### Debt structure and liquidity

We have a £525 million Revolving Credit Facility in place until 2019 provided by a number of core relationship banks. We also have a £175 million bilateral financing facility and a £75 million invoice discounting facility, both of which are free of financial covenants. At 31 December 2015 these facilities were all undrawn.

In 2015, to fund the acquisition of Talpa Media, we entered into a 12 month €500 million bridge loan facility provided by five of our relationship banks. This was repaid and cancelled in September 2015 when we issued a 7 year €600 million Eurobond at a fixed coupon of 2.125%. The bond will mature on 21 September 2022. The proceeds from the bond were also used to fund the maturing £78 million Eurobond in October 2015.

As we enter the next phase of our strategy, our balance sheet strength together with our continued strong free cash flow will enable us to invest in opportunities to grow the business and enhance shareholder value. To preserve our financial flexibility, our policy is to maintain at least £250 million of available liquidity at any point.

#### Leverage

Our objective is to run an efficient balance sheet. Our priority is to invest to drive organic growth and make acquisitions in line with our strategic priorities. We will balance this investment for further growth with attractive returns to shareholders.

Over time we will continue to look to increase our balance sheet leverage and we believe maintaining leverage below 1.5x reported net debt to adjusted EBITDA will optimise our cost of capital, allow us to sustain a progressive dividend policy and enable us to retain flexibility to continue to invest for further growth. As at 31 December 2015, reported net debt to adjusted EBITDA was 0.4x.

We also look at an adjusted measure of net debt, taking into consideration all of our financial commitments which reflects how credit rating agencies look at our balance sheet. At 31 December 2015, adjusted net debt was £1,144 million (31 December 2014: £765 million) reflecting an increase in expected contingent payments on acquisitions as a result of the acquisitions we have made in the year, partly offset by a reduction in the pension deficit under IAS 19 and lower undiscounted finance lease commitments which mainly relate to broadcast transmission contracts and property. As at 31 December 2015 adjusted net debt to adjusted EBITDA was 1.3x.

	2015 £m	2014 £m
Net debt at 31 December	(319)	41
Expected contingent payments on acquisitions	(303)	(79)
Pension deficit (IAS 19R)	(176)	(346)
Operating leases	(346)	(381)
<b>Adjusted net debt at 31 December</b>	<b>(1,144)</b>	<b>(765)</b>
<b>Adjusted net debt to adjusted EBITDA</b>	<b>1.3x</b>	<b>1.0x</b>

### Financing

We are financed using debt instruments with a range of maturities. During the year we repaid the £78 million Eurobond which matured in October 2015. Borrowings at 31 December 2015 were repayable as follows:

Amount repayable	£m	Maturity
£161 million Eurobond	161	Jan 2017
€600 million Eurobond	437	Sep 2022
Finance leases	10	Various
Other debt	5	Various
<b>Total debt repayable on maturity</b>	<b>613</b>	

### 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.

### Foreign exchange

As ITV continues to grow internationally, we are increasingly exposed to foreign exchange on our overseas operations. It is our policy not to hedge our exposure to revenues and profits generated overseas, as this is seen as an inherent risk. We do hedge our overseas net assets, where material, and so we have hedged a significant portion of the euro net assets arising from the Talpa acquisition.

ITV is also exposed to foreign exchange risk on transactions we undertake in a foreign currency. Our policy is to hedge a portion of any transaction that is either a firm commitment or highly probable for up to two years forward. The amount hedged depends on the level of certainty we have on the final size of the transaction.

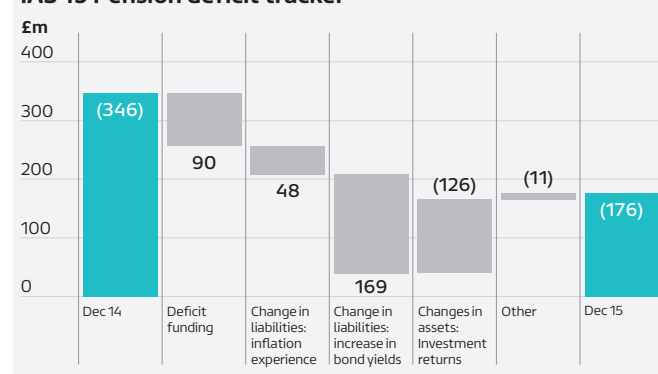
Finally, ITV is exposed to foreign exchange risk on the re-translation of foreign currency loans and deposits. Our policy is to hedge such exposures where there is an expectation that any changes in the value of these items will result in a realised cash movement over the short to medium term.

## Pensions

### IAS 19

The aggregate IAS 19 deficit of the defined benefit scheme at 31 December 2015 was £176 million (31 December 2014: £346 million). The reduction reflects lower pension liabilities as a result of rising bond yields over the year, deficit funding contributions of £90 million and the difference between the actual inflation experienced in the period compared to the expected rate. 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 2014. On the bases adopted by the Trustee, the combined deficits as at 1 January 2014 amounted to £540 million.

### Deficit funding contributions

The Group's deficit funding contributions in 2015 were £90 million (2014: £91 million).

Following completion of the actuarial valuations, the Group has agreed to make deficit funding contributions in order to eliminate the deficits in each section. From 1 January 2016 the contributions are paid on the following basis:

**Section A** – £5.0 million per month until 31 May 2021

**Section B** – £0.15 million per month until 28 February 2023

**Section C** – £0.3 million per month until 31 July 2021

In addition to these contributions, payments are made into Section A as a result of the SDN and LTC Pension Funding Partnership structures and during 2015 these payments amounted to £13 million.

The new funding structure above results in a £10 million reduction in deficit funding contributions payable in 2016 compared to 2015, which will be paid more evenly throughout the year.

### Ian Griffiths

Group Finance Director



# 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.

## Risk management framework

**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

**Process level risks** – embedded into everyday activity within the organisation.



The Board is responsible for establishing risk appetite, a robust and appropriate risk management framework and for monitoring the risk management and internal control systems. During the course of the year the Board, Management Board and Divisional Boards, routinely review ITV's principal risks and discuss the mitigations and actions being taken with regards to these risks. The Audit Committee supports the Board to keep the overall effectiveness of these processes under regular review.

In 2015 the Board has continued to enhance and develop ITV's risk management framework, in particular reviewing the level of risk appetite in the business. Further, the Board has carried out a robust assessment of the principal risks facing ITV, including those that would threaten its business model, future performance, solvency or liquidity. Discussion of the principal risks affecting ITV and mitigating factors can be found on pages 48 to 51.

The Management Board has responsibility for the development and operation of the risk management framework and for the operation of ITV's systems of internal control. This includes:

- **Risk identification and assessment:** identifying the risks facing the business and for establishing controls and procedures to monitor and mitigate risks.
- **Control environment:** financial controls, policies and procedures are considered as a 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 Audit Committee.

- **Reviewing and monitoring the effectiveness of internal controls:** controls are monitored by senior management, Internal Audit and the Audit Committee. Remedial plans are put in place where controls are weak or there are opportunities for improvement. Serious control weakness (if any) are reported to the Board and action taken as appropriate.

#### Risk management process

Risks are primarily controlled through the risk management process. In addition to the risk specific mitigating actions outlined on pages 48 to 51 risks are considered through day-to-day operations and are regularly discussed by the Board and Management Board, by the Audit Committee and as part of the Board's strategy day.

During 2015 all the HILL and Strategic risks were reassessed, challenged and further refined to improve our risk management. 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 pages 32 to 35 or a subset of these KPIs. All HILL and Strategic risks are owned by at least one member of the Management Board.

We have in place an Operational Risk Steering Group to manage and consider existing and emerging operational risks and ensure they are addressed appropriately.

#### Internal audit plan

The internal audit plan is driven from ITV's risk management framework. Internal Audit reviews the auditable elements of the HILL, Strategic and Process level risks and this informs the areas and topics that Internal Audit focus on.

#### Risk culture

Throughout the year we have continued to focus on and strengthen our risk culture. Our Code of Conduct remains unchanged and the Operational Risk Steering Group considers ethical behaviours, governance and compliance with our Code. ITV also offers all employees annual online training on ethics and compliance.

#### Viability Statement

In its assessment of viability the Board is of the view that a three year horizon to 31 December 2018 is appropriate, given the visibility ITV has over its Broadcast advertising business and the normal commissioning cycle which drives the Studios division.

When considering the longer-term viability of ITV, the Board has reviewed each of ITV's principal risks and uncertainties and, taking into account current operational and financial performance, has in particular analysed the impact of:

- The Broadcast division experiencing a significant and sharp downturn, similar to the 2008/09 financial crisis, with regards to advertising revenues, but in this case with no immediate recovery
- A number of key programme brands within the Studios division not being recommissioned
- A significant change in ITV's pension funding obligations, following the triennial valuation in 2017 and subsequent funding arrangements

The review involved flexing the underlying strategic forecast for the above impacts, both individually and concurrently, and no specific mitigations were assumed. The underlying strategic forecast assumed: business as usual capital spending; the ongoing availability of the financing facilities (as ITV remains within the covenants); and that ITV maintains its stated dividend policy.




Based on the results of this review, the Board has a reasonable expectation that ITV will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 December 2018. The assessment has been made with reference to ITV's strategy and current position and prospects.

## Risks and Uncertainties continued




High Impact, Low Likelihood Risks (HILL)		
Potential Risk	Mitigating Factors	
<b>Financial</b>	<p><b>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.</b></p>	<ul style="list-style-type: none"> <li>• The business is cash generative and working capital management remains a key focus.</li> <li>• ITV has a balance sheet policy to maintain adjusted net debt below 1.5x adjusted EBITDA and have unused liquidity headroom of £250 million.</li> <li>• ITV has a £525 million Revolving Credit Facility with a number of core relationship banks and £250 million of financial covenant free facilities.</li> <li>• The low gross debt levels that ITV currently has should enable the Company to obtain debt from the marketplace if needed.</li> <li>• We are rated investment grade by two ratings agencies.</li> </ul>
	<p><b>There is a major collapse in investment values leading to a material impact on the pension scheme deficit.</b></p>	<ul style="list-style-type: none"> <li>• There is regular communication between ITV and the pension trustees.</li> <li>• The pension scheme's assets are invested in a diversified portfolio, with a significant amount of the fund held in bonds.</li> <li>• ITV has worked with the pension trustees to limit the potential deficit by a series of asset backed arrangements. Further, it has taken mortality risk out of the scheme with a longevity swap and hedged a portion of inflation and interest rate variability.</li> </ul>
<b>Operational</b>	<p><b>A significant event removes a number of the key management team from the business on a long-term or permanent basis.</b></p>	<ul style="list-style-type: none"> <li>• There is a business resilience plan in place which includes succession plans or nominated replacements for all key positions within the Company.</li> </ul>
<b>Reputation</b>	<p><b>An event with public interest that causes significant reputational and brand damage.</b></p>	<ul style="list-style-type: none"> <li>• ITV has a crisis management policy in place and is increasing emphasis on its development and application.</li> </ul>
	<p><b>There is a major health and safety incident that results in a significant loss of human life.</b></p>	<ul style="list-style-type: none"> <li>• ITV has a central Health &amp; Safety team, Operational Risk Steering Group and Health &amp; Safety policies and procedures are in place, with appropriate training for employees where required. As we continue to expand internationally these will be reviewed.</li> <li>• Regular inspections are undertaken at all sites, which are run alongside a programme of Health &amp; Safety audits. This is subject to ongoing review.</li> </ul>
	<p><b>A major incident results in ITV being unable to continue with scheduled broadcasting for a sustained period.</b></p>	<ul style="list-style-type: none"> <li>• A risk register of broadcast operations, including key outsourced functions, is in place and reviewed on a regular basis.</li> <li>• Major incident scenario testing takes place bi-annually.</li> <li>• An incident management process has been agreed and full disaster recovery plans are in place.</li> </ul>
	<p><b>There is a significant or unexpected change in regulation or legislation.</b></p>	<ul style="list-style-type: none"> <li>• ITV regularly communicates with appropriate groups and its legal panel and Ofcom to monitor potential policy, legal and regulatory developments.</li> </ul>







**Strategic priorities**

-  Maximising
-  Growing
-  Building




**Strategic risks**

Potential Risk	Mitigating Factors
<p><b>The Market</b></p> <p><b>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.</b></p> 	<ul style="list-style-type: none"> <li>• Growing non-NAR in areas such as ITV Studios and Online, Pay &amp; Interactive, remains a key part of the strategy.</li> <li>• ITV continues to focus on cash and costs, ensuring the Company has an adequate financial liquidity and balance sheet flexibility to continue to invest.</li> </ul>
<p><b>The television market moves significantly towards pay television as a preferred model, negatively impacting ITV's free-to-air revenue.</b></p> 	<ul style="list-style-type: none"> <li>• ITV continues to support free platforms, including YouView, to keep free-to-air strong.</li> <li>• ITV looks at and evaluates the opportunities for expanding its existing pay services and other pay offerings.</li> <li>• ITV explores other platforms to understand viewing habits and what people are prepared to pay for.</li> </ul>
<p><b>A faster than expected shift to Video on Demand or other new technologies, such as internet enabled TVs or online only services, causes a sustained loss of advertising revenue.</b></p> 	<ul style="list-style-type: none"> <li>• The business continues to develop the ITV Hub VOD services, maximise the distribution of the ITV Hub and grow its VOD advertising business.</li> <li>• ITV monitors the market for new technology and where appropriate explores how ITV can participate.</li> </ul>




# Risks and Uncertainties continued

Strategic risks		
Potential Risk	Mitigating Factors	
<b>Organisation, Structure and Processes</b>	<p><b>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.</b></p> 	<ul style="list-style-type: none"> <li>• ITV constantly reassesses the business to create a fit-for-purpose organisation.</li> <li>• Strategic focus on working across the business to embed and strengthen the culture of 'One ITV' way of working.</li> <li>• ITV invests in training and development for all key colleagues in the business.</li> <li>• Succession plans are in place for all key positions within the Company.</li> </ul>
<p><b>There is significant loss of programme rights or ITV fails to identify and obtain the optimal rights packages.</b></p> 	<ul style="list-style-type: none"> <li>• ITV is focused on both protecting and exploiting existing rights and ensuring that future rights generated accrue to ITV.</li> <li>• ITV has a detailed model to evaluate the value of third-party rights to ensure it only buys rights that make economic sense.</li> </ul>	
<p><b>ITV fails to create and own a sufficient number of hit programmes/formats across its international portfolio of content companies.</b></p> 	<ul style="list-style-type: none"> <li>• 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.</li> <li>• ITV is focused on hiring and retaining the right key creative talent.</li> </ul>	
<p><b>ITV fails to properly resource, financially, creatively and operationally, the new growth businesses, in particular online and international content.</b></p> 	<ul style="list-style-type: none"> <li>• Talent management plans have been developed and reviewed to ensure adequate succession planning across ITV.</li> <li>• ITV continues to embed and strengthen the culture of 'One ITV' way of working.</li> <li>• Lessons from recent investments are captured through post-acquisition reviews.</li> </ul>	
<p><b>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.</b></p> 	<ul style="list-style-type: none"> <li>• System requirements are kept under review with business growth and system modernisation projects implemented as appropriate.</li> <li>• 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.</li> </ul>	

**Strategic priorities**

-  Maximising
-  Growing
-  Building

**Strategic risks**

Potential Risk	Mitigating Factors
<p><b>Technology</b></p> <p><b>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 Hub or ITV loses a significant volume of personal or sensitive data.</b></p> <p></p>	<ul style="list-style-type: none"> <li>• We continue to improve our ability to monitor, detect and respond to cyber threats internally and through partnerships with specialist security organisations.</li> <li>• Mandatory online training modules, awareness campaigns and simplified information security policies have been implemented for employees.</li> <li>• 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.</li> <li>• An Operational Risk Steering Group is in place to ensure the appropriate management of information security.</li> </ul>
<p><b>A significant high-profile incident or series of events e.g. a system failure, a technology issue, or a major regulatory breach that causes significant reputational and/or commercial damage.</b></p> <p></p>	<ul style="list-style-type: none"> <li>• ITV has ongoing modernisation projects to ensure transmission and distribution technologies are fit-for-purpose.</li> <li>• 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.</li> <li>• ITV proactively manages its broadcast chain partners and suppliers to ensure the risk of incidents and regulatory breach is minimised.</li> </ul>
<p><b>ITV fails to ensure appropriate business continuity planning and resilience within its core systems, processes, platforms and technology infrastructure.</b></p> <p></p>	<ul style="list-style-type: none"> <li>• Disaster recovery plans are in place with tests conducted annually on business critical systems.</li> </ul>

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

**Adam Crozier**  
Chief Executive



# Chairman's Governance Statement



We recognise that the best governance system in the world is of limited value unless built on an organisation that encourages integrity and transparency.”



**Archie Norman**  
Chairman

**In the Governance section**

This section of the Annual Report contains a statement from your Chairman and information about the Directors and Management Board. It explains our governance structure and corporate governance compliance and includes reports from the Audit and Remuneration Committees and the Directors' Report.



**Dear shareholder,**

The Board believes that a high standard of corporate governance is essential not just to protecting shareholders interests, but to building and sustaining the long-term success of the Company.

Our belief is that a good board is an engaged board, working closely with the executive team. The success of the Board process depends on a strong chemistry around the board table where robust discussions can be conducted in a spirit of openness and transparency. The Board's role is both to support and challenge the executive team and to promote the success of the business.

When we started on the transformation programme six years ago we downsized the Board initially to six members to create a more cohesive and engaged team. Since that time, we have added carefully to its membership to reflect our belief that ITV works best with a balanced combination of creative, commercial and financial talent and experience. But we continue to believe that a relatively small, but talented board, close to the business is the right model for ITV.

With that we have reshaped the governance process. Strong governance is the platform that allows the Board to engage in effective strategic and commercial debate. Today, we have a robust framework of risk management and financial controls which we review regularly and a very rigorous Audit Committee process under its Chairman, John Ormerod.

We recognise that the best governance system in the world is of limited value unless built on an organisation that encourages integrity and transparency.

ITV is a talent business and ensuring that we employ great people and allow them creative freedom in the context of tight financial discipline is crucial to our success. So the foundation of our governance is ensuring we have the right people and attitudes. For this reason we have rigorous pulse surveys of employee morale and attitudes and the Board regularly engages in discussion about people, organisation and succession.

The Board meets regularly for scheduled Board and Committee meetings and has a number of informal meetings to consider specific issues. We interact frequently with senior executives and subject matter experts. This ensures that the Board has a full understanding of the business. During the year some of our Non-executive Directors undertook visits to our UK and international sites.

We remain committed to maintaining regular open dialogue and effective communication with our shareholders. 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. Each year we hold a two day off-site strategy meeting where we consider recent and upcoming changes in our business environment, the risks and impacts of such changes on our business and how we might meet these challenges. A brief summary of the business undertaken by the Board and our focus for 2016 is set out on page 59.

We are delighted that Anna Manz agreed to join the Board in February 2016. Anna is currently Group Strategy Director at Diageo plc where she has an impressive track record. She will bring consumer, financial and strategic experience to the Board.

It is our policy to appoint Non-executive Directors for a three year period from appointment and then consider reappointment on an annual basis following a robust performance evaluation.

In addition we carefully review other commitments to ensure that Directors have sufficient time to commit to the business. Details of appointment dates and length of tenure for each director can be found in the table on page 59. 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 UK Corporate Governance Code (the Code).

We are in the process of conducting an externally facilitated board effectiveness review and further details of this can be found on page 60.

As a listed company, ITV is required to report on how it has complied with the principles of governance set out in 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 had only two members. However, we were delighted that Mary Harris agreed to join the Audit

Committee and she was appointed as an additional member on 16 June 2015. From that date we were fully compliant.

Further information on corporate governance and a schedule setting out how we comply with the Code can be found on our website.

 [www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

A copy of the Code is available on the FRC website.

 [www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance](http://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance)

**Archie Norman**  
Chairman

2 March 2016

# Board of Directors



**1 Archie Norman** N R

**Chairman**

**Appointed:** January 2010

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

**Current external appointments:**

Chairman of Lazard, London and Hobbycraft Group Limited; Director of Coles Group and Target Limited; Advisor to Wesfarmers Limited; Governor of the National Institute of Economic and Social Research.

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

**2 Adam Crozier** G

**Chief Executive**

**Appointed:** April 2010

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

**Current external appointments:**

Non-executive Director of G4S plc. **Previous experience:** Non-executive Director of Debenhams plc and Camelot Group plc; Chief Executive of the Royal Mail Group; Chief Executive of the Football Association; Joint Chief Executive of Saatchi & Saatchi Advertising.

**3 Ian Griffiths** G

**Group Finance Director**

**Appointed:** September 2008

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

**Current external appointments:**

Non-executive Director of DS Smith Plc. **Previous experience:** Group Finance Director and other senior finance roles within Emap plc; Manager in audit and corporate finance at Ernst & Young.



### Committee membership

- G General purpose
- A Audit
- N Nomination
- R Remuneration

#### 4 Sir Peter Bazalgette N R

##### Non-executive Director

**Appointed:** June 2013

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

##### Current external appointments:

Chairman of the Arts Council of England; Non-executive Director of Nutopia; President of the Royal Television Society; Member of an Advisory Board, YouGov plc.

**Previous experience:** Non-executive Director and Chairman of the Remuneration Committee and member of the Audit Committee of YouGov plc; Non-executive Director of Mirriad Advertising Ltd, DCMS, Rightster, Critical Information Group plc and Channel Four Television Corp; Trustee of DebateMate; Chairman of the ENO and Endemol UK; Deputy Chairman and Director of the National Film and Television School; Adviser to Sony Music's television division; Chairman of the UK production business of Sony Pictures Television Inc.; Chief Creative Officer at Endemol Group BV and Endemol Entertainment UK Limited.

#### 5 Roger Faxon N

##### Non-executive Director

**Appointed:** October 2012

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

##### Current external appointments:

Chairman of Mirriad Advertising Ltd; Non-executive Director of Pandora Media Inc; Director of The John Hopkins University.

**Previous experience:** Director of EMI Group Global Limited and EMI Group plc; Chief Executive Officer of EMI Group Limited; Chairman and CEO of EMI Music Publishing; Director of the Songwriters Hall of Fame; other appointments at the American Society of Composers and Authors and Lancit Media Entertainment Ltd in the US; Chairman of VIVA Television in Germany and Channel V Networks in Asia.

#### 6 Mary Harris N A

##### Non-executive Director

**Appointed:** July 2014

**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 of Reckitt Benckiser Group plc and J.Sainsbury plc; Member of the supervisory board of TNT Express NV and Unibail Rodamco SE.

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

#### 7 Andy Haste N A R

##### Senior Independent Director, Chairman of the Remuneration Committee

**Appointed:** August 2008

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

##### Current external appointments:

Chairman of Wonga Group Limited; Senior Independent Deputy Chairman of the Council of Lloyd's.

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

#### 8 Anna Manz N

##### Non-executive director

**Appointed:** February 2016

**Key areas of prior experience:** Strategy and finance and financial planning.

##### Current external appointments:

Group Strategy Director at Diageo plc.

##### Previous Experience:

Various appointments at Diageo plc including; Regional Finance Director, Asia Pacific; Group Treasurer; Finance Director, Global Marketing, Sales and Innovation; other finance roles at Quest International, Unilever and ICI.

#### 9 John Ormerod N A R

##### Non-executive Director, Chairman of the Audit Committee


**Appointed:** January 2008

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

##### Current external appointments:

Chairman of First Names Group Limited; Non-executive Director of Constellium NV; Non-executive Director and Chairman of the Audit Committee of Gemalto NV.

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

 **Full biographies can be found on our website:** [www.itvplc.com/about/management/board-of-directors](http://www.itvplc.com/about/management/board-of-directors)

# Management Board



**1 Julian Bellamy**

**Managing Director, ITV Studios  
Appointment to the Board:**

February 2016

**Previous experience:** Julian joined ITV in 2014 as Managing Director of the studios business in the UK and was recently promoted to Managing Director of ITV Studios. Julian's previous roles included Creative Director and Head of Commissioning at Discovery Networks International, Head of Programming at Channel 4 and prior to that he ran BBC3 and E4. He also spent time as Channel 4's Head of Factual Entertainment and was a commissioning editor of Channel 4 News and Current Affairs.

**2 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.

### 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

#### Director of Television

##### Appointment to the Board:

August 2010

##### Previous experience:

Kevin joined ITV as Managing Director, ITV Studios in 2010 and became Director of Television in February 2016. Kevin's previous roles included Director of Television and Content at Channel 4, Director of Programmes at Channel 5 and 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 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 and 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 team. 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, Commercial in December 2014. He is also Chairman of Thinkbox, 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.

# Corporate Governance

## Our Governance structure

### Board and Committees

#### Audit Committee

**Three Non-executive Directors**  
See the Audit Committee Report on page 62.

#### Remuneration Committee

**Chairman and two Non-executive Directors**  
See the Annual Remuneration Report on page 68.

#### Nomination Committee

**Chairman and Non-executive Directors**  
Meets to review the structure, size, and composition of the Board, including skills, knowledge and experience. Identifies and nominates for board approval candidates to fill board vacancies, and considers succession planning for Directors and other Senior Executives. Considers and reviews any conflicts of interest that may be reported by the Directors.

#### Disclosure Committee

**Executive Directors and other senior managers**  
Meets to ensure compliance with the continuing obligations under the Disclosure and Transparency Rules.

#### General Purpose Committee

**Executive Directors**  
Meets as required to conduct business within clearly defined limits set by the Board.

#### Tax and Treasury Committee

**Group Finance Director and other senior managers**  
Meets to consider and approve tax and treasury related matters in respect of corporate transactions or other activities. Monitors compliance with tax and treasury related policies and procedures.

Matters reserved for the Board and Committee terms of reference are available on our website:

[www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

### Executive

#### Management Board

**Members are set out on page 56.**  
Meets to consider and approve strategy and operational plans, monitors operating and financial performance, and assesses and manages risk.

#### ITV Studios Board

**Executive Directors and Senior Executives of divisional business**  
Meets to consider and approve operational matters, and assesses and manages risk in relation to the Studios business.

#### ITV Broadcast Board

**Executive Directors and Senior Executives of divisional business**  
Meets to consider and approve operational matters, and assesses and manages risk in relation to the Broadcast business.

### Operations

#### Operational Risk Steering Group

**Manages and considers a number of existing and emerging operational risks and ensures that the business addresses them appropriately including in relation to:**  
Health & Safety, Child Protection, Business Resilience, Data Protection, Insider Dealing, Whistleblowing, Anti-Bribery & Corruption, Information Security, Fraud, Technology and Cyber risk.

#### Programme Compliance Advisory Group

**Manages and considers issues and risks in relation to the programme compliance framework, the interactive business and regulation.**

#### Responsibility Governance Board

**Manages the direction and delivery of ITV's Responsibility Strategy including in relation to:**  
Diversity and inclusion, Community, Charity and the Environment.



### Board and Committee meetings

The number of meetings held during the year and attendance of Directors is set out in the table below. 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 or one of the regional or international offices. Board meetings are structured around the following areas:

- Operational and functional updates
- Financial updates
- Strategy
- Risk framework and appetite
- Progress against strategic priorities
- Other reporting and items for approval

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)

Our focus during 2015 and some of our plans for 2016 are set out below:

2015	2016
Broadcast strategy focusing on SOV	Development of creative talent pipeline
International content strategy and market review	Review of the North American market
Online, Pay & Interactive strategy	Viewing trends, including younger viewers
Retransmission fees and the regulatory environment	International content strategy
Viewing trends and global OTT market developments	Online and Pay strategy

### Board and Committee membership and attendance

Board and Committee membership and attendance at scheduled meetings in 2015 is set out below.

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

1. Executive Directors have rolling service contracts that provide for 12 months' notice on either side.
2. Roger Faxon did not attend a scheduled Board meeting and the AGM on 14 May 2015 due to family commitments.
3. Mary Harris was appointed to the Audit Committee on 16 June 2015 and three of the seven scheduled meetings were held prior to her appointment. Non-attendance at another scheduled meeting was due to other board commitments agreed before her appointment to ITV.
4. Archie Norman did not attend two scheduled Remuneration Committee meetings due to unavoidable overseas commitments.

Terms of engagement for the Non-executive Directors are available on our website.

 [www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

# Corporate Governance continued

During the year the appointments of John Ormerod and Andy Haste were extended for a further 12 months. Both 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 both provide a valuable contribution as Chairmen of the Audit and Remuneration Committees respectively.

Anna Manz was appointed as a Non-executive Director with effect from 1 February 2016. Anna was selected from a number of candidates following a rigorous search process.

During 2015 the Nomination Committee commenced the succession process for the Chairman. Following a robust review they concluded that Sir Peter Bazalgette was the best and most appropriate candidate for the position. With his wealth of experience and unrivalled reputation in the media sector, he is well placed to take the Company forward to its next stage of development. Sir Peter has been on the Board since June 2013 and has a detailed understanding of the business and its issues together with valuable insight on the strategic challenges facing ITV and the industry generally.

Executive search firm Zygos were engaged to assist with both search processes. Zygos have no other connection with ITV.

### Board effectiveness

#### Experience and independence

Biographical details for the Directors are set out on pages 54 and 55, with fuller biographies available on our website.

[www.itvplc.com/about/management/board-of-directors](http://www.itvplc.com/about/management/board-of-directors)

The Board is 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.

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. These are available on our website.

[www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

### Evaluation

#### Internal

The work of the Board Committees is reviewed annually with the support of Group Secretariat. The evaluation takes the form of face-to-face meetings with Board and Committee members eliciting feedback on a wide range of topics. In addition input is sought from the Executive Directors, other relevant senior executives and external advisers.

Output is reported to the relevant Chairman and a report of actions is submitted to the Committees and actioned as appropriate.

#### External

In 2012/13 the Board undertook a board effectiveness review facilitated by YSC. The review was developmentally focused, both with respect to the functioning of the Board and for individual board members. This resulted in suggestions for the Board to develop its effectiveness which were discussed with the Board as a whole and feedback was provided to individual board members together with additional development sessions.

At the end of 2015 the Board commenced a further effectiveness review, again using YSC, and recognising

that the Board has a number of new members. Board members were asked for:

- Views on board effectiveness
- Feedback on individual board members
- Suggestions for improvement
- Personal aspirations around contribution to the Board

As part of the process YSC have attended several board meetings to observe and will produce a report of findings and suggestions for development of the Board as a whole and on an individual basis. The process is expected to take approximately six months.

### Board tenure

The current board tenure is shown in the diagram below.



### Succession planning and diversity

#### Succession planning

The Board has agreed a succession planning framework which it regularly reviews 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
- Non-executive Directors have the appropriate level of independence, from the executive and each other

Both John Ormerod and Andy Haste are approaching nine years tenure. The Board is mindful of this and succession planning is under consideration.

### 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 of its members as opportunities arise, but given the size of the Board specific formulaic targets are not appropriate.

### Induction, training and development

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.

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
- Presentations given at board and committee meetings on business matters and technical update sessions from external advisers where appropriate

This is supplemented by visits to UK and international locations. During 2015 Peter Bazalgette and Roger Faxon visited the ITV Studios office in Los Angeles, Mary Harris visited Talpa in The Netherlands and The Garden with John Ormerod. A number of the Directors visited the new Coronation Street site in Salford, Manchester.

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 2015 can be found on page 79.

### 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 the Director of Investor Relations 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 and Senior Independent Director also respond to shareholder queries and hold 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](http://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 2.97% of our shares. We encourage shareholders to register their email addresses to receive information from us in a timely manner.

The AGM will be held on Thursday, 12 May 2016 (further details can be found on page 171).

In 2015 the meeting was attended by 129 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. Voting can be done online or using a form of proxy which is sent to all shareholders. 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. Details of voting at the 2015 meeting are available on our website.

 [www.itvplc.com/investors/annual-general-meeting](http://www.itvplc.com/investors/annual-general-meeting)

# Audit Committee Report



ITV is a different business from that of three or five years ago. We aim to ensure that our controls anticipate the changing risks in our business and that our reporting reflects fairly our new activities.”

**John Ormerod**  
Chairman,  
Audit Committee



**In this report**

The purpose of this report is to highlight areas that the Committee has reviewed during the year. We report back to shareholders the significant financial reporting issues and judgements made in connection with the preparation of the Company’s financial statements. Also highlighted is how the Committee has assisted the Board in reviewing the Company’s internal control and risk environment. We explain what the Committee has done to review the effectiveness of our internal and external auditors.



**Audit quality:** the Committee continued to focus on audit quality. This year the Committee noted the Financial Reporting Council’s comments and used their Audit Quality Practice Aid to help shape the Committee’s review of the external audit.

**Risk management and internal controls:** the Committee assisted the Board in ensuring compliance with the UK Corporate Governance Code (the Code) in relation to risk management and internal controls. The Committee reviewed the process of risk management and considered how to embed more operational risk appetite measures into board discussions. For example in 2015, an Operational Risk Steering Group was established to manage and consider a number of existing and emerging operational risks and ensure the business addresses them appropriately. I am invited to attend meetings of the Operational Risk Steering Group and of the Tax and Treasury Committee.

**Audit Tendering:** during the year the Committee has continued to monitor changes in regulation for auditor appointments. Recently the Department for Business, Innovation and Skills has issued further guidance that has clarified ITV’s position with regards to its next tender and mandatory auditor rotation.

**Viability Statement:** following changes to the Code the Committee reviewed the process by which the Company assesses viability over the longer term. This was considered by the Board and the statement is set out on page 47.

We continue to focus on financial reporting judgements and disclosures and challenging management to develop controls to anticipate future opportunities and risk. Management is committed to continuous improvement.

**Dear shareholder,**

On the following pages we set out the Audit Committee’s Report for 2015.

Our particular areas of focus during the year include:

**Acquisitions:** we continued to invest in our production business in particular the acquisition of formats that travel internationally. The Committee engages at an early stage with significant potential acquisitions. We review with management the approach to due diligence and review the results of that work prior to its submission to the Board. We consider carefully the appropriate accounting for arrangements which are designed both to incentivise creative talent and manage financial risk.

Of particular focus this year was the acquisition accounting for Talpa, specifically the treatment of the earnout arrangements linked to retaining key talent in the business.

**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. Cyber security has remained a focus for the Committee, especially as media companies have continued to face increased frequency and sophistication of cyber attacks.



We are pleased that Mary Harris joined the Committee during the year and she brings a broad range of experience to our deliberations.

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

### John Ormerod

Chairman, Audit Committee  
2 March 2016

## What we focused on in 2015

In planning its own agenda, and reviewing the audit plans 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.

During 2015 there were no topics where there was significant disagreement between management, our external auditor and the Committee, or unresolved issues that needed to be referred to the Board.

During 2015 we complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

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

## Who is on the Committee

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

- John Ormerod (Chairman)
- Mary Harris (appointed 16 June 2015)
- Andy Haste

The Committee members have between them a wide range of business and financial experience. The Committee considers that John Ormerod has recent and relevant financial experience for the purposes of the Code.

Full details of attendance at Committee meetings can be found on the table on page 59.

## Our role

The main role of the Committee is to:

- monitor the integrity of the published financial information of the Company and 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;
- provide advice to the Board on whether the Annual Report and Accounts are fair, balanced and understandable;
- review the effectiveness of the internal control and risk management processes and give input to the Board's consideration of risk and risk appetite;
- monitor and review the effectiveness and independence of the internal audit function;
- provide advice to the Remuneration Committee on financial reporting matters and related judgements and risk management as they affect performance objectives related to executive remuneration; and
- review the quality and effectiveness of the external audit and the procedures and controls designed to ensure auditor independence.

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

## Annual Review

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. Priorities for this year will include strengthening further the Committee membership as part of our succession planning and deepening our engagement with the key risks facing the Company.

Further information about the Committee and the Committee's terms of reference can be accessed on our website.

 [www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

# Audit Committee Report continued

## 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 that 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 key topics discussed in the year covered acquisitions.

### Acquisition accounting for Talpa (see note 3.4 for detail on the acquisition)

Talpa was the largest acquisition made by the Group in 2015. 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 seller:

<b>Consistent application of acquisition accounting</b>	As part of the review of the acquisition of Talpa, the Committee reviewed the areas of judgement applied by management around the valuation of intangibles. The Committee concluded that the assumptions and judgements taken by management were on a basis consistent with previous acquisitions, market practice and IFRSs.
<b>Performance-related consideration</b>	The Talpa acquisition structure allows for further amounts payable after two, five and eight years based on the achievement of stretching performance targets for the business in the years following acquisition. For these amounts to be paid the deal requires the seller to remain with the business during these periods. Further, if the seller leaves within two years a significant portion of the initial consideration would be refunded to ITV. Structuring the deal this way helped manage risks in terms of initial capital outlay and created a joint incentive between ITV and the seller to grow the business. Management considered it appropriate for performance reporting to include these payments as the cost of acquiring the business even though IFRS requires any payment that links a seller to remaining in the business as an employment cost. The Committee discussed management's analysis for excluding these payments from adjusted earnings, and concluded that management's analysis was fair and consistent with previous acquisitions where key talent is retained.

### Buy out of minority interest of Leftfield

The Committee also reviewed the acceleration of the buy out of the Leftfield minority interest. The Committee discussed management's judgements around the fair value of the consideration paid for the remaining minority interest and concluded management's analysis was fair and reasonable.

### 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.

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

<b>Revenue</b>	Every year the Committee considers management's assessment of the Group's internal controls framework, which includes control over revenue. At the end of 2014 the Committee requested an internal audit exercise specifically to review the risks and controls surrounding each of the Group's main revenue streams. This review was finalised in early 2015. The Committee ensured the processes and controls around existing revenue streams remained consistent and effective during the year. The Committee is involved in the preliminary discussions regarding implementation of the new revenue recognition standard IFRS15 applicable from 2018.
<b>Deal debt</b>	This is where management reviews the over and under delivery of advertising value to agencies. The Committee reviews management's approach and method of determining the provision required for under delivery. The Committee is satisfied that the provision has been calculated on an appropriate basis.
<b>Royalty accruals</b>	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 continue to make in the controls over royalty payments and as with previous years, the Committee considered the estimated accrual to be reasonable.

<b>Pension accounting</b>	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's net 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 value of its bond yield rate 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.
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**Other topics reviewed during the year included:**

<b>Deficit financing</b>	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 amounts invested. The Committee concluded that the accounting treatment was appropriate.
<b>Tax</b>	The Committee received regular updates from management and the Tax and Treasury Committee with regard to key areas of tax risk, tax compliance, tax matters in respect of corporate transactions, and significant changes in tax legislation. The Committee considered the key risks which give rise to uncertainties over corporate tax, payroll and VAT liabilities and related provisions. The Committee discussed the activities which management undertakes to resolve the matters that give rise to such provisions. Where advice 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).

**Risk Management and Internal Controls**

**Risk management**

The Committee continued to consider the process for managing risk within the business and assisted the Board in relation to compliance with the Code and development of the risk appetite framework. Further information on our HILL and strategic risks and uncertainties and risk management process is included within the Strategic Report on pages 46 to 51.

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.

**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 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.

The Committee satisfies itself that internal controls are operating throughout the year principally based on the programme of internal audit reviews. In addition to the internal audit programme, there is a suite of exception reports that cover transaction processing. For those subsidiaries not covered by exception reporting software, management recently implemented a monthly self assessment which is subject to independent internal review.

**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.

**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 a material acquisition. The Committee reviewed Leftfield in 2015 and plans to review Talpa in 2016.

## Audit Committee Report continued

**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.

### Whistleblowing

ITV has arrangements in place that enable employees to raise concerns in confidence about any possible risks to employees, customers, viewers or the Company. The Committee considers the process and procedures each year and is of the view that they are operating appropriately and that colleagues are aware of and trust the process. Every three years ITV asks the whistleblowing charity Public Concern at Work to carry out an independent review of these arrangements. ITV is a signatory to The First 100 campaign which seeks to champion enlightened organisations that are committed to ensuring that their arrangements meet best practice.

### Technology risk

As we continue to execute our strategy the technology infrastructure supporting the business also has to evolve. A number of legacy systems supporting the existing business remain in place, while at the same time new revenue streams require systems to support them. It therefore remains important to have an effective technology governance framework that seeks to address the risks arising from the above environment. In 2015, the Committee continued to review the Group's governance over its legacy systems, including ongoing projects to migrate certain legacy systems to newer technology while implementing new systems to support our new revenue streams.

Media companies in particular have continued to face increased frequency and sophistication of cyber-attacks, with a number of well publicised cases in 2015 targeting services and customer data. As part of ongoing governance the Committee reviewed the steps that management are taking on cyber security. These included: increasing awareness and education of staff with regards to types of security threat, improving the monitoring of internal network activity and the implementation of enterprise security management tools. The Group's response to cyber security will require continuing effort, especially as the types of attacks and their sophistication will continue to evolve, and the Committee will continue to focus on this area in 2016.

### Our auditors

#### Internal auditor

The Group's internal audit activity is outsourced to Deloitte who report directly to the Committee. During the year the Committee reviewed this internal audit model. We concluded that outsourcing offers access to the wide range of skills and resources in the various geographies required and endorsed its continuing use.

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.

The effectiveness of internal audit is assessed over the year using a number of measures that 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, that 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.

The Committee reviewed and approved the 2016 internal audit plan.

#### External auditor Engagement

The Committee is responsible for agreeing the terms of the engagement letter. 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.

#### Audit tendering and rotation

During the year the Committee has continued to monitor changes in regulation for auditor appointments. The Department for Business (BIS) has recently issued further guidance on their consultation, setting out how EU audit rules will be implemented in the UK.



The BIS guidance specifically highlights that companies which tendered the audit engagement before the application date for the EU Regulation, that resulted in the reappointment of the incumbent auditor, should benefit from the transitional provisions where the tender would meet the objectives of the EU Regulation.

Having recommended the reappointment of KPMG in 2012 following a competitive tender, and applying the above BIS guidance, the next mandatory tender would be for the 2023 financial year. However, the Committee will continue to monitor audit quality, to ensure the Group continues to have a robust and effective audit.

### Effectiveness and quality

Audit quality is reviewed throughout the year and in 2015 the Committee used the Financial Reporting Council's (FRC) Audit Quality Practice Aid to help structure its review of audit quality at ITV. When making its assessment of audit quality, the factors the Committee focused on included:

- External audit quality reports – reviewing the FRC's Audit Quality Review reports and discussing with the auditor specific topics that may be applicable to ITV, and how their audit strategy for the year addressed thematic concerns that the FRC had highlighted.
- Auditor interaction with management – reviewing the auditor's understanding of business progress against the strategy and emerging industry themes, as well as the auditor's discussions with management on key corporate transactions.
- Auditor's own view of effectiveness – enquired with regards to: their audit methodology and its effective application to ITV; their robustness of challenges and findings on areas which require management judgement; whether there had been an internal peer review of the ITV audit and what the findings were; and the experience of the senior members of the audit team.

Further in its assessment of audit quality the Committee took into account:

- the detailed audit strategy for the year, including the coverage of emerging risks;
- Group materiality and component materiality;
- how the auditor communicated any key accounting judgement and conclusions; and
- feedback from management of the performance of the external auditor.

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. Following completion of the 2015 audit, Mark Summerfield our Senior Statutory Auditor and KPMG partner will rotate off our engagement and will be replaced by Paul Sawdon. During the year the Chairman of the Committee and management met partners from KPMG who might serve as our senior audit partner making a final proposal which was approved by the Committee.

The Committee regularly monitors the other services being provided to the Group by its external auditor, and has developed a formal policy and sign off process with management to ensure this does not impair their independence or objectivity.

The policy is reviewed annually and is available in full on our website together with further information on how the Committee manages the external audit relationship.

 [www.itvplc.com/about/governance](http://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 2015 were one third of the audit fees. A report on the level of non-audit work provided by the auditor is given to the Committee half yearly. The significant non-audit engagements related to corporate tax advice and other assurance. Full details are set out on page 110.

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 2015. The resolution was passed and KPMG was reappointed for a further year.

The Committee has recommended the reappointment of KPMG at the AGM on 12 May 2016.

# Annual Remuneration Report



Over the last six years ITV has delivered strong revenue and double-digit profit growth in key profit measures every year.”

**Andy Haste**  
Chairman,  
Remuneration Committee



### 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 2015. 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 strong performance.



### Dear shareholder,

On the following pages we set out:

- Our Annual Remuneration Report (pages 70 to 80) which will be subject to an advisory vote at our Annual General Meeting (AGM) in May 2016; and
- Our Remuneration Policy table (pages 81 to 84) 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](http://www.itvplc.com/about/governance)

We believe that our remuneration framework remains aligned with the strategy of the business and is linked to our key KPIs, which are set out in the Strategic Report. In addition we are satisfied that our remuneration framework promotes long-term alignment with shareholders and does not encourage undue risk taking.

During 2016 we will be undertaking a review of the remuneration policy for the Executive Directors in preparation for the AGM in 2017, when the existing policy will reach its third anniversary and require resubmission to shareholders.

### Our performance in 2015

As discussed in the Strategic Report, over the last six years ITV has delivered strong revenue and double-digit profit growth in key profit measures every year. In 2015 we delivered £865 million adjusted EBITA (before exceptionals) (2014: £730 million) and adjusted EPS of 16.5 pence (2014: 13.8 pence). We remain focused on our original vision and are confident that our strategy, focused on three key Strategic Priorities, remains appropriate for the long-term.

Performance measures for our Annual Bonus Awards and Long-Term Incentive Plan (LTIP) are closely aligned to our KPIs (set out on pages 32 to 35). Our KPIs have been defined to align our performance and accountability to our strategy.

The KPIs are the key measures of our success and cover all of our Strategic Priorities.

Performance against KPIs which are aligned to our Bonus and LTIP is set out below:

	2015	2014
Adjusted EBITA	£865m	£730m
Profit to cash conversion	91%	91%
Adjusted EPS	16.5p	13.8p
Family SOV	21.2%	22%
Total non-NAR growth	25%	10%

In addition, over the past few years we have included a cost-saving target in our Bonus Awards to ensure that management continues to focus on streamlining the business.

### Remuneration outcomes in 2015

As explained above, the performance against financial targets other than Share of Viewing (SOV) has been strong.

The bonus payout levels for the Executive Directors were 96% for Adam Crozier and 95% for Ian Griffiths. Further information and details of the bonus targets are set out on page 72. Previously we reported that the Board believed that targets remained commercially sensitive for a two year period following the relevant year end and we committed to including the targets for 2013 in this year's report. During the year, we reviewed emerging best practice in this area and have concluded that it is more appropriate to disclose targets following the relevant year end. To this end, in addition to the targets for the financial year ended 2013, we have also included details of the targets for the financial years ended 2014 and 2015, which are set out on page 72.

During the year, awards made under the Performance Share Plan (PSP) in 2013 reached the end of their performance period, and will become exercisable in March 2016. Details are set out on page 73. Over the three year performance period, the Company's share price increased from 105.2 pence

to 276.6 pence with a total return to shareholders (TSR) of 202%. This resulted in the Company being the second best performing company in the FTSE100 over the period. The Committee considers the total pay of the Executive Directors to be a fair reflection of their overall contribution in this context.

The Remuneration Committee has not exercised any discretion during the year or felt it appropriate to call on malus and clawback provisions.

### Remuneration Policy implementation 2016

Bonus targets and performance conditions for LTIP awards to be made in 2016 have been set in line with the Remuneration Policy and have been aligned closely with our strategy. Details are set out on page 77.

One specific change is being made to the bonus framework for the Executive Directors to increase the proportion aligned to financial targets from 60% to 75% and reduce the proportion aligned to personal targets from 40% to 25%. This follows a review during 2015, based on feedback from some institutional shareholders that the weighting on personal measures was above the market norm. While previously appropriate given the turnaround phase, the Committee concluded that making such change was now relevant to ensure focus on the targets with the greatest impact on overall business performance. We believe this is a more usual approach and in line with shareholder expectations. There has not been any change to the target or maximum level of bonus.

The Executive Directors each received a 2.5% increase in their salaries from 1 January 2016 which is in line with the increase for employees generally. No other material changes will apply for 2016.

### Who is on the Committee

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

- Andy Haste (Chairman)
- Sir Peter Bazalgette
- Archie Norman
- John Ormerod

Full details of attendance at Committee meetings can be found in the table on page 59.

### 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;
- propose to shareholders changes to the Remuneration Policy and approve its implementation 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 on page 87;
- approve the design of the Company's annual bonus arrangements and LTIPs, 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.

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

### Annual Review

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 FIT Remuneration Consultants, the independent adviser to the Committee. Overall the review concluded that the Committee is responding appropriately to its terms of reference and will continue to develop its role. Priorities for this year will include consideration of Committee membership and continued alignment to the corporate strategy.

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

 [www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

### Shareholder views

Details of voting on remuneration resolutions at the AGM in May 2015 are set out on page 75. We were pleased to receive strong investor support.

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

### Andy Haste

Chairman, Remuneration Committee  
2 March 2016

# Annual Remuneration Report continued

## What we did in 2015

During 2015 our work was broadly in four areas:

### Setting targets

- setting the business and personal performance targets for 2015 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 2015; and
- carrying out a preliminary review of annual bonus targets for 2016.

### Reviewing outcomes

- reviewing the bonus outcomes and award levels for 2014 and indicative 2015 outcomes ahead of final approval in 2016; and
- approving the performance outcomes of the 2012 awards under the PSP.

### Reward framework

- agreeing the base salaries for the Senior Executive Group 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.

### Governance

- agreeing the Remuneration Report for 2014 prior to its approval by the Board, and approval by shareholders at the AGM in May 2015.

## 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, that 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.

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

### For awards made in 2015 and 2016

Target

- 1 Maximise audience and revenue from free-to-air and VOD business
- 2 Grow an 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 18 to 29.

### 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 2014 Strategic Report available on our website.

 [www.itvplc.com/investors](http://www.itvplc.com/investors)



## Total remuneration for 2015

The sections of the Annual Remuneration Report that have been audited by KPMG are pages 71 to 74, and page 78 (from and including Directors' Share Interests) to page 80.

## 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		Pension		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 <sup>2</sup> £000	2014 <sup>1</sup> £000	2015 £000	2014 £000	2015 £000	
Adam Crozier	918	900	19	19	1,586	1,523	1,220	2,175	229	225	3,972	4,842
Ian Griffiths	561	550	15	14	879	864	669	1,167	140	138	2,264	2,733
	1,479	1,450	34	34	2,465	2,387	1,889	3,342	369	363	6,236	7,575

1. In the 2014 Annual Report and Accounts part of the amount shown was the indicative vesting value of the 2012 PSP awards that were subject to performance conditions measured to 31 December 2014. The figures shown in the table above represent the subsequent value received on the vesting date of 30 March 2015 using the share price on that day (254.855 pence), a total increase of £637,976.
2. The amount shown is the indicative value of the 2013 PSP awards that were subject to performance conditions measured to 31 December 2015. The value was calculated using the average share price for the final quarter of 2015 (260.5 pence). The share price grew by 115.6% over the performance period. See page 73 for further information.
3. The aggregate emoluments for all directors as required under Schedule 5 (SI 2008/410) is the total remuneration shown in the table above less share awards, plus the total emolument figures for Non-executive Directors shown on page 73.

Further information in relation to each of the elements of remuneration for 2015 set out in the table above is detailed below. An explanation for 2014 is set out in detail in our 2014 Annual Report and Accounts, which can be found on our website.

[www.itvplc.com/investors](http://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)

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 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 Executive Director, which are closely linked to the strategic priorities of the business. Payments and deferrals in respect of the financial year are 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	96%	528,768	1,057,536	1,586,304
Ian Griffiths	95%	293,123	586,245	879,368

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

The majority of the bonus (60%) was based upon the achievement of corporate and financial targets, with payout determined in accordance with pre-set target ranges subject only to the usual adjustments to exclude the impact of in-year acquisitions and disposals, significant unbudgeted initiatives and currency movements.

The remainder of the bonus (40%) was based upon the Committee's assessment of the contribution the Executive Director 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. The Strategic Report sets out more detail of the Company's achievements in the year.

# Annual Remuneration Report continued

During the year particular achievements, in addition to the delivery of the stretching business plan, related to international expansion and development of organic growth and new commissions. This was achieved with the acquisition of Talpa, Twofour Group and other production businesses and investments.

Adam Crozier was also assessed against the continuing international expansion of ITV Studios, as well as the growth of the UK and international Pay and Online businesses.

Ian Griffiths was also assessed against effective M&A activity, and supporting ITV Studios and Broadcast to develop their international businesses and creative performance.

With regard to disclosure of performance against the corporate and financial targets, previous reports stated that these targets contained commercially sensitive information, which would remain so until two years after the end of the relevant financial year, at which point they may be disclosed. However, to reflect emerging best practice, the Committee has decided to provide immediate disclosure of the corporate and financial targets used following the relevant year end, together with performance against those targets and the resulting level of payout. Consequently, the tables below provide this detail for the 2015 bonus year, as well as for 2013 and 2014.

2015

Performance measure	Weighting	Performance required			Performance achieved	Payout		Strategic target
		Threshold	Target	Max		Adam Crozier	Ian Griffiths	
ITV plc EBITA (before exceptional items)	45%	£760m	£795m	£825m	£865m	100%	100%	
Profit to cash conversion	10%	80%	85%	90%	91%	100%	100%	
Cost savings	5%	£8m	£10m	£12m	£12.2m	100%	100%	

Performance against the personal targets as noted above (40% weighting), resulted in payouts of 90% and 87.5% of the maximum against these targets for Adam Crozier and Ian Griffiths respectively. Up to 20% is payable for threshold and up to 60% for target performance.

2014

Performance measure	Weighting	Performance required			Performance achieved	Payout		Strategic target
		Threshold	Target	Max		Adam Crozier	Ian Griffiths	
ITV plc EBITA (before exceptional items)	45%	£660m	£695m	£725m	£730m	100%	100%	
Profit to cash conversion	10%	79%	84%	89%	91%	100%	100%	
Cost savings	5%	£10m	£12m	£14m	£15.4m	100%	100%	

As explained in the 2014 Annual Report and Accounts, performance against the personal targets (40% weighting), resulted in payouts of 85% and 88% of the maximum against these targets for Adam Crozier and Ian Griffiths respectively.

2013

Performance measure	Weighting	Performance required			Performance achieved	Payout		Strategic target
		Threshold	Target	Max		Adam Crozier	Ian Griffiths	
ITV plc EBITA (before exceptional items)	40%	£561m	£594m	£624m	£620m	93.87%	93.87%	
Profit to cash conversion	6.67%	85%	90%	95%	97%	100%	100%	
Cost savings	6.67%	22.5m	£25m	£27.5m	£27.9m	100%	100%	

In addition to the above, each Executive Director had 6.67% of their 2013 bonus based on a range of rebalancing revenues and balance sheet performance targets, which paid out in full.

As explained in the 2013 Annual Report and Accounts, performance against the personal targets (40% weighting), resulted in payouts of 88% and 90.6% of the maximum against these targets for Adam Crozier and Ian Griffiths respectively.

## Share awards

We are required to show share awards in the remuneration table on page 71 according to the year in which the performance period for each performance condition came to an end. 100% of the awards made in 2013 under the PSP were subject to performance conditions measured to 31 December 2015.

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 2015 £	Change in share price since award date
Adam Crozier	624,647	756,636	468,485	1,220,403	115.6%
Ian Griffiths	342,549	414,930	256,912	669,256	115.6%

The vesting figures shown in the table above reflect 75% of the total award that met performance conditions on 31 December 2015 and will become exercisable on 28 March 2016.

The share price used to value the shares at 31 December 2015 is the average share price for the final quarter of 2015 (260.5 pence).

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 2013 PSP awards are below. A gateway condition of minimum cumulative adjusted EPS (30.4 pence) 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%	30.4p = 30% vesting	41.5p	100%
			33.4p = 100% vesting		
			Vesting on a straight-line basis between		
Family SOV	2	25%	Maintain at 23% = 50% vesting	21.2%	0%
			+2% on 23% = 100% vesting		
			Vesting on a proportionate basis between		
Total non-NAR growth	3 4	25%	5% growth pa = 30% vesting	17.27%	100%
			10% growth pa = 100% vesting		
			Vesting on a straight-line basis between		

## 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 purpose of determining incentives.

## Non-executive Directors

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

	Notes	Fees		Taxable expenses <sup>2</sup>		Total	
		2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Peter Bazalgette		69	65	2	2	71	67
Roger Faxon		63	62	5	6	68	68
Mary Harris	1	66	27	7	3	73	30
Andy Haste		114	112	2	1	116	113
Lucy Neville-Rolfe	3	–	37	–	–	–	37
Archie Norman		500	500	3	2	503	502
John Ormerod		89	87	2	1	91	88
		901	890	21	15	922	905

1. Mary Harris was appointed to the Board on 28 July 2014, and the Audit Committee on 16 June 2015.

2. The amounts disclosed in the table above relate to the reimbursement of relevant travel and accommodation expenses for attending Board meetings and related business. The value disclosed is inclusive of tax arising on the expense, which is settled by the Company.

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

# Annual Remuneration Report continued

## LTIP awards made in 2015

On 28 March 2015 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 2017. 50% of any shares that vest will be subject to a one year holding period, the remaining 50% will be subject to a two 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	28 March 2015	225	804,636	£2,065,500	31 December 2017	28 March 2018	50% – 28 March 2019 50% – 28 March 2020
Ian Griffiths	28 March 2015	225	491,722	£1,262,250	31 December 2017	28 March 2018	50% – 28 March 2019 50% – 28 March 2020

The number of nil-cost options was calculated using the average share price over the three day period prior to the award date (256.7 pence).

The LTIP was introduced in 2014 following the remuneration review at that time and subsequent approval by shareholders at the 2014 AGM. The holding periods were phased in over the first two annual awards made in 2014 and 2015. 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 2015 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 (45.7 pence) before any portion of the award can vest.

Performance measure	Strategic target	Weightings	Threshold	Maximum
Cumulative adjusted EPS		50%	45.7p	52.2p
Family SOV		20%	22.0%	22.44%
Total non-NAR growth		10%	5% growth pa	10% growth pa
International Production revenue		10%	5% growth pa	15% growth pa
Online, Pay & Interactive revenue		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 69.

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.



FIT Remuneration Consultants acted as the independent adviser on remuneration policy and the external remuneration environment during 2015 and provided advice on benchmarking, shareholder consultation and long-term incentive arrangements. Total fees for the advice provided to the Committee during the year amounted to £69,799 which were charged on their normal terms.

The Committee has formally reviewed the work undertaken by FIT for the Committee and is satisfied that the advice they have received has been objective and independent. FIT is a member of the Remuneration Consultants Group and abides by its Code of Conduct.

### Shareholder voting

At the AGM held on 14 May 2015, votes cast by proxy and at the meeting in respect of the Executive Directors' remuneration were as follows:

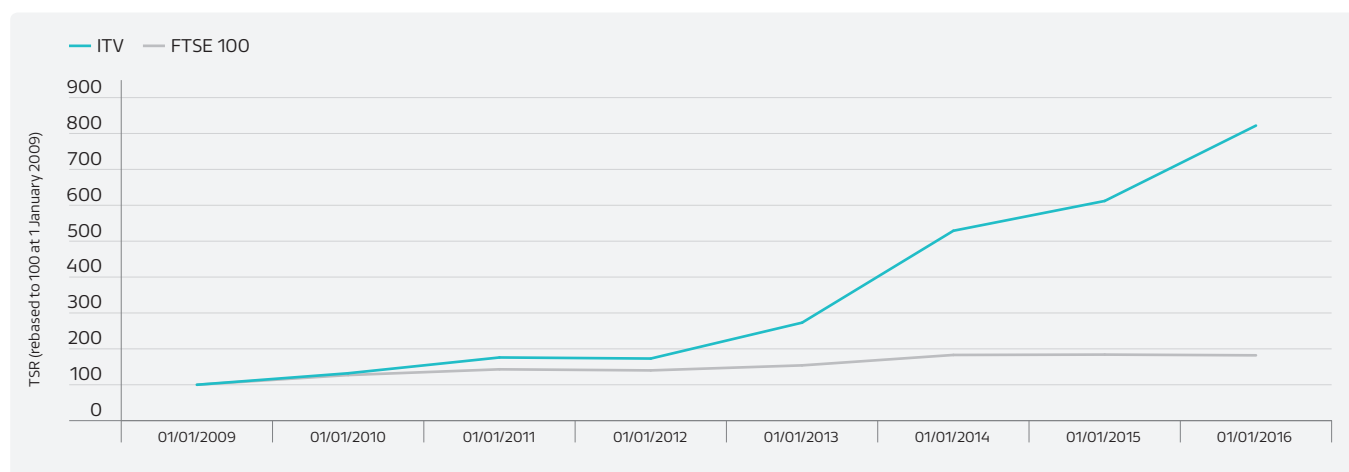
Resolution	Voting for		Voting against		Total votes cast	Votes withheld
	Number of shares	%	Number of shares	%		
Annual Remuneration Report	2,743,890,234	93.23	199,153,902	6.77	2,943,044,136	7,329,799

The Remuneration Policy was approved at the AGM held on 14 May 2014 for a three year period. Votes cast by proxy and at the meeting were as follows:

Resolution	Voting for		Voting against		Total votes cast	Votes withheld
	Number of shares	%	Number of shares	%		
Remuneration Policy	2,272,594,109	96.04	93,825,641	3.96	2,366,419,750	366,266,825

### Historic performance

The graph below shows the TSR performance of the Company against the FTSE 100 index over the seven year period to 31 December 2015.



# Annual Remuneration Report continued

## Chief Executive remuneration

The table below provides a summary of the total remuneration received by the Chief Executive over the last seven 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
2015	Adam Crozier	3,972	96	75
2014	Adam Crozier	4,842	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 eight month period served)	1,350	95	–
2010	John Cresswell (for the four 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 2014 and 31 December 2015 compared to the average percentage change for other employees.

	Notes	% change in base salary	% change in benefits	% change in bonus payment
Chief Executive	1	2.0	(1.08)	4.17
All employees	2, 3	4.09	2.22	12.02

1. Benefits include the cost of medical insurance and car-related benefits.
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	2015 £m	2014 £m	% Change
Employee pay	1	400	356	12.4
Ordinary dividend		208	152	36.8
Special dividend		251	160	56.9
Employee headcount	2	5,558	4,559	17.7

1. Employee pay is the total remuneration paid to all colleagues across ITV employed on a full-time equivalent basis. This is shown on a different basis to last year's report where the figure consisted of total remuneration paid to all UK PAYE employees through the main UK payroll. More detail is set out on page 109.
2. Employee headcount is the monthly average number of colleagues across ITV employed on a full-time equivalent basis.
3. There were no share buy-backs during either year.

## Remuneration Policy in 2016

The following provides details of how the Remuneration Policy will be implemented in 2016.

### Executive Directors

#### Salary

Executive Directors' base salaries were increased with effect from 1 January 2016 as follows.

	1 January 2016 £000	1 January 2015 £000	% Change
Adam Crozier	941	918	2.5
Ian Griffiths	575	561	2.5

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 2015. The weightings for 2016 reflect the changes to the bonus framework outlined in the Chairman's letter on page 68. The Board considers the actual targets for 2016 to be commercially sensitive at this time and we envisage including equivalent disclosures to those included in respect of the 2015 bonus in next year's report.

Performance measure	Strategic target	Weightings
ITV plc EBITA (before exceptional items)		60%
Profit to cash conversion		10%
Cost savings		5%
Individual targets		25%

### 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 2016 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 2016 will be made to the Executive Directors with a value of 225% of salary, at the same level as awarded in 2015 and in line with the operational maximum set out in the 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 (54.6 pence). 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		50%	54.6p	62.4p
Family SOV		20%	20.2%	21.6%
Total non-NAR		10%	5% growth pa	10% growth pa
International Production revenue		10%	5% growth pa	15% growth pa
Online, Pay & Interactive revenue		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 except in respect of the Family SOV measure. This has a lower level of vesting that occurs at 21.2% (75% vesting) with straight-line vesting to that position from each threshold and maximum. When assessing performance against this target, the Committee will also have regard to the health of the main ITV channel.

Shares that vest will be subject to a two year holding period.

### Malus and Clawback

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 the LTIP 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.

# Annual Remuneration Report continued

## Non-executive Directors

Non-executive Director fees were increased with effect from 1 January 2016 as set out below.

	1 January 2016 £000	1 January 2015 £000	% Change
Chairman (all-inclusive fee)	500,000	500,000	–
Board fee	65,054	63,468	2.5
Additional fees for:			
Senior Independent Director	25,000	25,000	–
Audit Committee Chairman	20,000	20,000	–
Audit Committee member	5,371	5,240	2.5
Remuneration Committee Chairman	20,000	20,000	–
Remuneration Committee member	5,371	5,240	2.5

Details of Committee membership can be found in the Governance section on page 59.

Sir Peter Bazalgette will become Chairman following the AGM to be held on 12 May 2016. His annual all-inclusive fee will be £450,000.

## 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 2015
Adam Crozier	400	764
Ian Griffiths	200	938

The share price used to value the shares as at 31 December 2015 was 276.6 pence.

### 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 2015.

	31 December 2015	31 December 2014
Peter Bazalgette	13,685	8,657
Adam Crozier	2,241,233	1,699,910
Roger Faxon	15,835	11,145
Ian Griffiths	1,754,554	1,511,922
Mary Harris	6,138	1,841
Andy Haste	109,222	99,431
Archie Norman	1,350,474	1,297,498
John Ormerod	153,898	145,471

There were no changes in Directors' interests in shares between the end of the financial year and 2 March 2016.



### 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	2015 £000
Adam Crozier	G4S plc	61
Ian Griffiths	DS Smith plc	54

### 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.

All Non-executive Directors are subject to election or re-election at the AGM in 2016. Details of unexpired terms are set out in the table on page 59.

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

# Annual Remuneration Report continued

## Outstanding interests under share schemes

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

	Notes	At 1 January 2015	Awarded in year	Vested in year	Exercised in year	Lapsed in year	At 31 December 2015	Share price used for award (pence)	Share price at date of vesting (pence)	Date of release/exercise in year
<b>Adam Crozier</b>										
<b>DSA</b>										
27 March 2015	a, 3, 8	–	197,741	–	–	–	197,741	256.7		
28 March 2014	a	240,534	–	–	–	–	240,534	194.5		
28 March 2013	a	346,228	–	–	–	–	346,228	129.5		
28 March 2012	a	477,112	–	477,112	477,112	–	–	88.6	254.86	30 March 2015
28 March 2012	b	238,557	–	238,557	238,557	–	–	88.6	254.86	30 March 2015
<b>LTIP</b>										
27 March 2015	8	–	804,636	–	–	–	804,636	256.7		
30 May 2014		1,103,543	–	–	–	–	1,103,543	183.5		
<b>PSP</b>										
1 March 2013	c, 6	624,647	–	–	–	–	624,647	121.1		
1 March 2012	c, 7	899,347	–	674,511	674,511	224,836	–	81.8	254.86	30 March 2015
28 March 2012	d, 7	238,557	–	178,918	178,918	59,639	–	88.6	254.86	30 March 2015
<b>Ian Griffiths</b>										
<b>DSA</b>										
27 March 2015	a, 3, 8	–	112,186	–	–	–	112,186	256.7		
28 March 2014	a	122,269	–	–	–	–	122,269	194.5		
28 March 2013	a	175,891	–	–	–	–	175,891	129.5		
28 March 2012	a	234,406	–	234,406	234,406	–	–	88.6	254.86	30 March 2015
28 March 2012	b	117,204	–	117,204	117,204	–	–	88.6	254.86	30 March 2015
<b>LTIP</b>										
27 March 2015	8	–	491,722	–	–	–	491,722	256.7		
30 May 2014		674,387	–	–	–	–	674,387	183.5		
<b>PSP</b>										
1 March 2013	c, 6	342,549	–	–	–	–	342,549	121.1		
1 March 2012	c, 7	493,192	–	369,894	369,894	123,298	–	81.8	254.86	30 March 2015
28 March 2012	d, 7	117,204	–	87,903	87,903	29,301	–	88.6	254.86	30 March 2015

1. a – Compulsory deferral, b – Voluntary deferral, c – Core Award, d – Matching Award.
2. No awards are outstanding that have vested but not been exercised.
3. There are no performance conditions attaching to the DSA.
4. Performance conditions that apply to the outstanding awards under the PSP and LTIP are set out in the table below.
5. DSA awards made in 2015 for 2014 performance are included in the remuneration table on page 71.
6. PSP performance conditions were met in 2015 (75%) and will become exercisable on 28 March 2016. The indicative value at 31 December 2015 is included in the remuneration table on page 71 and is described on page 73.
7. PSP performance conditions were met in 2014 (75%) and the value is included in the remuneration table on page 71.
8. The face value of awards granted in the financial year at £2,065,500 and £1,262,250 under the LTIP for Adam Crozier and Ian Griffiths respectively, and £507,600 and £287,980 under the DSA.

Strategic target	Weighting	2013 PSP				2014 LTIP				2015 LTIP	
		Threshold vesting	Threshold	Maximum	Weightings	Threshold vesting	Threshold	Maximum	Threshold	Maximum	
Gateway	①		30.4p				37.1p			45.7p	
Cumulative adjusted EPS	①	50%	30%	30.4p	33.4p	50%	20%	37.1p	42.3p	45.7p 52.2p	
Family SOV	②	25%	50%	23%	+2%	20%	20%	23.05%	23.51%	22% 22.44%	
Annual non-NAR growth	③ ④	25%	30%	5%	10%	10%	20%	5%	10%	5% 10%	
International Production revenue growth	④					10%	20%	5%	15%	5% 15%	
Online, Pay and Interactive revenue growth	⑤					10%	20%	5%	18%	5% 18%	
			Cumulative adjusted EPS years 2013 to 2015				Cumulative adjusted EPS years 2014 to 2016			Cumulative adjusted EPS years 2015 to 2017	

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 2013 PSP awards

# 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 three year period. The full policy can be found on our website:

[www.itvplc.com/about/governance](http://www.itvplc.com/about/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
<b>Base salary</b>	<p>Reflects the individual's skills, responsibilities and experience.</p> <p>Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.</p>	<p>Reviewed annually and paid monthly in cash.</p> <p>Consideration is typically given to a range of factors when determining salary levels, including:</p> <ul style="list-style-type: none"> <li>• Personal and Company-wide performance.</li> <li>• 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.</li> <li>• The wider employee pay review.</li> </ul>	<p>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.</p> <p>Increases may be made above this level to take account of individual circumstances, which may include:</p> <ul style="list-style-type: none"> <li>• Increase in size or scope of the role or responsibility.</li> <li>• Increase to reflect the individual's development and performance in role.</li> </ul>	<p>None, although overall individual and business performance is considered when setting and reviewing salaries.</p>
<b>Provision for an income in retirement</b>	<p>To provide competitive post-retirement benefits or cash allowance as a framework to save for retirement.</p> <p>Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.</p>	<p>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.</p> <p>Contributions are set as a percentage of base salary.</p> <p>Post-retirement benefits do not form part of the base salary for the purposes of determining incentives.</p>	<p>The maximum contributions or cash allowances for the Executive Directors are 25% of base salary.</p>	<p>None</p>
<b>Benefits</b>	<p>Ensures the overall package is competitive and provides financial protection for employees and their families.</p>	<p>The Company provides a range of market competitive benefits including travel-related benefits, private medical insurance and other insurance benefits.</p> <p>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.</p>	<p>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.</p>	<p>None</p>

## Remuneration Policy continued

Variable elements	Purpose and link to strategy	Operation	Maximum potential payment	Performance metrics
<b>Annual Bonus Scheme (Bonus) and Deferred Share Award Plan (DSA)</b>	<p>Incentivises Executives and colleagues to achieve key strategic outcomes on an annual basis.</p> <p>Focus on key financial metrics and objectives to deliver the business strategy.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>During the deferral period share awards may be reduced or cancelled in certain circumstances. Further detail is provided on our website <a href="http://www.itvplc.com/governance">www.itvplc.com/governance</a>.</p> <p>Dividends are paid to participants on the deferred shares during the deferral period.</p>	<p>The maximum bonus opportunity for any Executive Director will not exceed 200% of salary.</p> <p>The current bonus opportunities are 180% of salary for Adam Crozier and 165% of salary for Ian Griffiths.</p> <p>Increases above the current opportunities, up to the maximum limit, may be made to take account of individual circumstances, which may include:</p> <ul style="list-style-type: none"> <li>• Increase in size or scope of the role or responsibility.</li> <li>• Increase to reflect the individual's development and performance in their role.</li> </ul>	<p>Performance measures and targets are set by the Committee each year based on corporate objectives closely linked to the strategic priorities and individual contributions.</p> <p>The majority of the bonus opportunity will be based on the corporate and financial measures.</p> <p>The remainder of the bonus will be based on performance against individual objectives.</p> <p>Up to 20% of the maximum opportunity will be received for threshold performance.</p>



Variable elements	Purpose and link to strategy	Operation	Maximum potential payment	Performance metrics
<b>New LTIP</b>	<p>Incentivises Executives to deliver performance which is aligned to the business strategy over the longer term and the creation of shareholder value.</p> <p>Acts as a retention tool to retain the Executives required to deliver the business strategy.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Dividends are earned on deferred shares during the holding period.</p> <p>During the holding period awards may be reduced or cancelled in certain circumstances. Further detail is provided on our website <a href="http://www.itvplc.com/governance">www.itvplc.com/governance</a>.</p>	<p>Our current operational policy is to make awards of 225% of salary each year.</p> <p>Under the new LTIP rules, the maximum annual award that may be granted in any financial year is 350% of salary.</p> <p>The Committee would consult with shareholders if it was considering increasing awards above the current operational policy.</p>	<p>Performance is measured against corporate targets closely linked to the Company's financial and strategic priorities.</p> <p>Performance metrics are:</p> <ul style="list-style-type: none"> <li>• Adjusted EPS</li> <li>• Non-NAR and its components</li> <li>• Viewing performance</li> </ul> <p>LTIP awards will vest based on financial performance.</p> <p>A gateway condition must be achieved before any portion of the award vests.</p> <p>Each performance metric will operate independently.</p> <p>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%.</p>
<b>SAYE</b>	<p>Provides all employees, including Executive Directors, the opportunity to voluntarily invest in Company shares.</p>	<p>Executive Directors are entitled to participate in the plan on the same basis as other employees.</p>	<p>Participation limits are as per the rules of the plan and in accordance with HMRC limits.</p>	<p>None</p>

## Remuneration Policy continued

The table below summarises the main elements of remuneration for Non-executive Directors:

Component	Approach of the Company
<b>Chairman fees</b>	<p>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.</p> <p>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.</p>
<b>Non-executive fees</b>	<p>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.</p> <p>Fees are structured as a basic fee with additional fees payable for membership and/or chairmanship of a committee or other additional responsibilities.</p> <p>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.</p>
<b>Benefits</b>	<p>Additional benefits may also be provided in certain circumstances, if required for business purposes.</p>

# Directors' Report

The Directors present their Annual Report and the audited consolidated and parent company financial statements for the year ended 31 December 2015. The Directors' Report required under the Companies Act 2006 comprises this report, the entire Governance section including the Annual Remuneration Report, and the Strategic Report, all of which are incorporated by reference and deemed to form part of this report.

## Articles of Association

Unless expressly specified to the contrary, the Articles of Association may only be amended by special resolution of the shareholders. The Articles are available on our website.

 [www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

## 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 2016.

## 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.

## Directors

**Appointments:** A table showing Directors who served in the year can be found on page 59. Biographies for Directors currently in office can be found on pages 54 and 55.

Directors are appointed for an initial three year period and annually thereafter. During the year Roger Faxon, Andy Haste, Archie Norman and John Ormerod were re-appointed for a further 12 month period. In accordance with the UK Corporate Governance Code, each Director will retire and submit himself or herself for election or re-election at the AGM on 12 May 2016.

Detail on compensation for loss of office can be found in the Annual Remuneration Report on page 79.

**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.

**Contracts of significance:** No Director had any interest in any contract with the Company or its subsidiary undertakings.

**Powers:** The powers of the Directors are set out in the Articles of Association. The Articles and a schedule of Matters Reserved for the Board can be found on our website.

 [www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

## Directors' Report continued

### Dividends

The Board has proposed a final dividend and a special dividend for the year ended 31 December 2015. Details of these and other dividends paid for the year are as follows:

	2015	2014
Interim dividend	1.9p	1.4p
Final dividend	4.1p	3.3p
<b>Total ordinary dividend</b>	<b>6.0p</b>	4.7p
Special dividend	10.0p	6.25p
<b>Total dividend payment</b>	<b>16.0p</b>	10.95p

The final dividend and special dividend for 2015 will be paid on 27 May 2016 to shareholders on the register on 29 April 2016. The ex dividend date is 28 April 2016.

### 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 a colleague 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.

**SignPost** The Company provides tailored measures to ensure employees are fully supported and that reasonable adjustments are made, training is provided and resource materials are accessible. The Company continues to review its policies and practices to build confidence around the disability agenda, to attract, develop and retain those with a disability, both on and off screen. The Company is also able to draw on its in-house service SignPost for additional support and guidance around access and inclusion for particular audiences.

The Company's commitment around the disability agenda extends beyond our legal obligations and partners with a variety of external specialists to drive best practice. For a comprehensive outline of our activity visit our Corporate Responsibility website.

[www.itvresponsibility.com](http://www.itvresponsibility.com)

**Diversity:** 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, programmes and services are accessible, inclusive and have wide appeal. Further information can be found on our Corporate Responsibility website.

[www.itvresponsibility.com](http://www.itvresponsibility.com)

**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 colleagues feel engaged with the Company.

In 2015 the Company carried out an engagement campaign consisting of a series of Management Board led roadshows across the business. This gave colleagues an opportunity to feed back their thoughts and concerns about the business. Engagement was reinforced through forums such as the intranet, regular soft and hard-copy newsletters and briefings between management and their teams. These channels enabled colleagues to understand 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.



To further promote colleague engagement, the Company has introduced a network of Ambassadors who have been nominated and elected by their colleagues to represent each part of the business. These Ambassadors share the views of colleagues with the business, enabling us to understand ways to make ITV a better place to work. The Ambassadors also keep colleagues up to date with what is going on across the business.

We have continued to measure and listen to colleagues through employee surveys. A short survey carried out at the end of 2015 revealed that 93% of colleagues were proud to work for ITV, with the total engagement score of 89.33% (90% in 2014), 6% higher than the benchmark response.

**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.

The Company continues to be committed to ensuring colleagues earn at least the Living Wage or greater. Where appropriate we have agreed additional increases. On 1 January 2016, all eligible colleagues received a pay increase of 3.0% (2015: 2.2%), with all those on a full-time equivalent basic salary of £100,000 or above receiving 2.5%.

In addition a bonus arrangement extends to all our colleagues, providing a comprehensive incentive framework which rewards everybody when the Company is successful. The all-colleague bonus award for 2015 was paid in full at £1,500 (2014: paid in full at £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 colleagues and the Company.

Information about remuneration for the Directors is included in the Annual Remuneration Report on pages 68 to 80.

**Succession planning:** When planning succession within the Company consideration is given to emergency cover together with medium and long-term succession and this is reviewed annually by the Nomination Committee. 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.

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

## Directors' Report continued

### Greenhouse Gas emissions

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

All data for the financial year ended 31 December 2015 is disclosed below for direct and indirect (electricity consumption) emissions. More information on our environmental impacts and how we aim to make a positive difference can be found on our Corporate Responsibility website.

[www.itvresponsibility.com](http://www.itvresponsibility.com)

Indicator	2015	2014
Total gross CO <sub>2</sub> e emissions	31,196 (tCO <sub>2</sub> e)	40,219 (tCO <sub>2</sub> e)
Scope 1: Direct emissions	8,294 (tCO <sub>2</sub> e)	11,180 (tCO <sub>2</sub> e)
Scope 2: Indirect emissions	22,902 (tCO <sub>2</sub> e)	29,039 (tCO <sub>2</sub> e)
Total revenue	£3,383m	£2,956m
Emissions per unit/£m revenue	9.2 (tCO <sub>2</sub> e)	13.6 (tCO <sub>2</sub> e)

Source: Utiylx analysis of ITV data.

The emissions data covers our global properties but not our US acquisitions. The latest conversion factors specified in Defra and DECC's 2015 guidance were used to calculate emissions in tonnes of carbon dioxide equivalents. 35% of our data set is based on estimated data. Estimates are calculated from previous consumption trends and published benchmarks. The 2014 total is 19 (t CO<sub>2</sub>e) which is higher than reported last year due to additional data received.

### Health and safety

The health and safety of our colleagues, 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 professional 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. This is supported by a comprehensive training programme and direct support from the Health and Safety team.

Health and safety performance information is reported to the Board monthly and briefings were held in 2015 for the Management and Studios Boards. In 2015 a full health and safety compliance review was undertaken and work was done with external production companies to develop a model for compliance with the Construction (Design and Management) Regulations 2015 appropriate for a television production business. Work at height continues to be an area of focus for us as our reporting indicates this is an ongoing issue for productions.

### Performance indicators – UK

	2015			2014		
	Staff	Non Staff	Total	Staff	Non Staff	Total
Lost time accidents reported under RIDDOR <sup>1</sup>	5	7	12	8	3	11
Specified injuries reported under RIDDOR <sup>2</sup>	1	7	8	4	2	6

1. This indicates accidents that have led to people being unable to undertake their normal role for seven days or longer.

2. Specified injuries in this context means injuries such as broken bones (not fingers or toes), amputation, serious burns, loss of consciousness caused by a head injury or inpatient hospitalisation. These are reported if they were caused by our work activity.

3. Reported data excludes Mammoth, Twofour and Talpa as these were not integrated into the ITV Health and Safety Management System in the year ended 31 December 2015.

The majority of these accidents occurred in the production business. Given the risk profile of production content and the increase in the number of productions last year, the increase in accidents does not indicate any change in overall safety performance within the business.

## Performance indicators – international

	Australia	France	Germany	USA	Finland	Norway	Sweden	Denmark
Serious injuries sustained at work by staff or people directly involved in our activities <sup>1</sup>	0	0	1	1	0	0	0	0

1. We have used the UK definition of a specific injury under RIDDOR to define a serious injury. Due to differing local legislative reporting requirements figures for lost time accidents have not yet been integrated into the ITV Health and Safety Management System.

### Insurance and indemnities

The Company maintains liability insurance for its Directors and officers that 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](http://www.itvplc.com/about/governance)

The Company operates a pension scheme that provides retirement and death benefits for colleagues. 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 2015 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 of ITV Pension Scheme Limited.

For further information about pensions is set out on page 45 and in note 3.7 on page 133.

### 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.

### Political contributions

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 2015 AGM. However, during 2015 the Group made no payments falling within this definition (2014: nil).

### Report and Accounts disclosures

**Financial risk management:** The Directors have carried out a robust assessment of the principal risks facing the Company, including in relation to its business model, future performance, solvency and liquidity. Details of our risks and associated mitigations together with details of our approach to risk management are set out on page 46 to 51.

Note 4.3 to the accounts on page 144 gives details of the Group's financial risk management policies and related exposures. This note is incorporated by reference and deemed to form part of this report.

**Future developments:** Our strategy is set out in the Strategic Report.

**Going concern:** The going concern statement is set out on page 103. This note is incorporated by reference and deemed to form part of this report.

**Post balance sheet events:** On 19 February 2016 Ministerial approval was received and all other conditions confirmed as satisfied for the acquisition of 100% of UTV Limited. Completion took place on Monday 29 February 2016.

**Research and Development:** Relevant information is set out in the Strategic Report.

## Directors' Report continued

### 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.

**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 2016 or 12 August 2016, if earlier.

**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 transfer of securities and/or voting rights.

**Rights:** The rights attaching to the Company's ordinary shares are set out in the Articles of Association. A copy of the Articles can be found on our website.

 [www.itvplc.com/about/governance](http://www.itvplc.com/about/governance)

**Share Schemes:** Details of employee share schemes are set out in note 4.7. 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 2015 are set out on page 154. 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.

### Substantial shareholders

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.

As at 2 March 2016, the information in the table below had been received, in accordance with DTR5, from holders of notifiable interests (voting rights) 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.

	Shares	%	Nature of holding
Liberty Global Incorporated Limited	398,515,510	9.90	Direct
FMR LLC	309,919,900	7.69	Indirect
Blackrock Inc.	195,504,921	6.24	Indirect

The Company received separate notifications from The Goldman Sachs Group, Inc. (Goldman Sachs) on various dates during the course of 2015 and, most recently, on 2 February 2016 in respect of an interest in 20.01% of the Company's issued share capital. Of this, 0.05% related to voting rights over the Company's shares which are held indirectly with a further 0.01% held by way of a physical stock loan and 19.96% being represented by certain financial instruments with similar economic effect to the Company's ordinary shares. The Company understands that Goldman Sachs initially submitted a notification in respect of its interest as a result of changes to the DTRs, specifically 5.1 and 5.3, which took effect on 26 November 2015 rather than as a result of any change in the interests of Goldman Sachs in the Company's issued share capital.

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



## 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 position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 54 and 55, 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 2015. 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.

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.

By order of the Board

**Andrew Garard**  
Company Secretary  
2 March 2016  
ITV plc  
Registered number 4967001

# Financial Statements

## In this section



The financial statements have been presented in a style that 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

<b>Independent Auditor's Report to the Members of ITV plc Only</b>	<b>93</b>
<b>Primary Statements</b>	<b>97</b>
Consolidated Income Statement	97
Consolidated Statement of Comprehensive Income	98
Consolidated Statement of Financial Position	99
Consolidated Statement of Changes in Equity	100
Consolidated Statement of Cash Flows	102
<b>Section 1: Basis of Preparation</b>	<b>103</b>
<b>Section 2: Results for the Year</b>	<b>106</b>
2.1 Profit before tax	106
2.2 Exceptional items	111
2.3 Taxation	112
2.4 Earnings per share	115
<b>Section 3: Operating Assets and Liabilities</b>	<b>117</b>
3.1 Working capital	117
3.2 Property, plant and equipment	121
3.3 Intangible assets	123
3.4 Acquisitions	128
3.5 Investments	131
3.6 Provisions	131
3.7 Pensions	133
<b>Section 4: Capital Structure and Financing Costs</b>	<b>140</b>
4.1 Net cash/(debt)	140
4.2 Borrowings and finance leases	142
4.3 Managing market risks: derivative financial instruments	144
4.4 Net financing costs	148
4.5 Fair value hierarchy	149
4.6 Equity	151
4.7 Share-based compensation	152
<b>Section 5: Other Notes</b>	<b>154</b>
5.1 Related party transactions	154
5.2 Contingent liabilities	155
5.3 Subsequent events	155
5.4 Subsidiaries except from audit	156
<b>ITV plc Company Financial Statements</b>	<b>157</b>
<b>Notes to the ITV plc Company Financial Statements</b>	<b>159</b>

# 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 2015 set out on pages 97 to 170. 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 2015 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, including FRS 101 *Reduced Disclosure Framework*; 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 pages 62 to 67.

The risk	Our response
<p><b>Revenue recognition and contractual arrangements (see note 2.1)</b> The Group's revenue consists primarily of advertising, programme production and programme rights.</p> <p><b>Net Advertising Revenue ('NAR') £1,719 million (2014: £1,629 million)</b> 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 TV 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.</p> <p>In particular, the pricing mechanism means it is possible for a difference to arise between the price paid 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.</p> <p>NAR is therefore considered a significant risk due to:</p> <ul style="list-style-type: none"> <li>• The number and complexity of contractual agreements with advertising agencies</li> <li>• The complexity of the systems and processes of control used to record revenue and</li> <li>• The level of estimation involved in determining the deal debt liability at the period end</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• 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 contracts with advertising agencies; linkage to transmission/viewer data; and segregation of duties</li> <li>• Testing management's review controls over: contract approval; periodic deal reconciliations and the related deal debt adjustment</li> <li>• Analysing revenue based on our industry knowledge and external market data, following up variances and</li> <li>• Challenging the year-end deal debt position based on comparison with customers' correspondence and agreed terms of business</li> </ul> <p>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.</p>

# Independent Auditor's Report to the Members of ITV plc Only continued

The risk	Our response
<p><b>Other revenue streams ('Non-NAR revenue') £1,253 million (2014: £961 million)</b></p> <p>Non-NAR revenue includes revenue from; programme production, the sale of programme rights, transmission supply arrangements and the Online, Pay &amp; Interactive division within the Broadcast segment.</p> <p>Recognition of non-NAR revenue is driven by the specific terms of the related contracts. It is considered to be a risk as the terms of the contracts are varied and can be complex, with the result that accounting for the revenue generated in any given period can require individual consideration.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Testing of controls over the timing of revenue recognition. We considered the Group's revenue recognition policies against the relevant accounting standards and</li> <li>• For a sample of contracts entered into during the year, we tested whether revenue had been recognised in accordance with the contractual terms in the correct accounting period, given the requirements of the relevant accounting standard</li> </ul>
<p><b>Acquisition accounting: Talpa Media B.V. (initial consideration £238 million and goodwill arising £41 million (see notes 3.3 and 3.4) (2014: Leftfield Entertainment initial consideration £209 million and goodwill arising £139 million)</b></p> <p>ITV acquired 100% of Talpa Media on 30 April 2015. The acquisition agreement requires the seller to provide services to ITV for a period of seven years, in order to qualify for performance-based payments after two, five and seven years. Further, a portion of the initial consideration is repayable if the seller ceases to provide services for a two year period after acquisition. Accounting for the Talpa acquisition is considered a significant risk as a result of the following factors:</p> <ul style="list-style-type: none"> <li>• 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, identification of intangible assets acquired and assessment of fair value of the acquired assets and liabilities and</li> <li>• In determining the fair value of the acquired intangible assets and the contingent consideration and remuneration payable, medium term cashflow 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</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Inspecting the terms of the acquisition contracts to determine whether the accounting treatment of performance-related consideration arrangements applied is appropriate based on the criteria of the relevant accounting standards</li> <li>• Using our own valuation specialists to assist us in: assessing both the appropriateness of the identified intangibles, against the criteria of the relevant accounting standards, and the appropriateness of the discount rates</li> <li>• Comparing the Group's forecast revenue growth and margins assumptions to our own assessments, based on our industry knowledge, in relation to key inputs such as the useful lives of, and likelihood of revenue from, existing formats and</li> <li>• Understanding of the principles applied by the Group in determining the acquisition date fair values for the remaining assets and liabilities and agreeing significant adjustments to supporting documentation, such as underlying contracts and vendor due diligence reports</li> </ul> <p>We also considered the adequacy of the Group's disclosures in respect of the acquisition and the related judgments in note 3.4.</p>
<p><b>Defined benefit pension schemes £176 million (2014: £346 million) (see note 3.7)</b></p> <p>Significant estimates are made in valuing the Group's post-retirement defined benefit schemes.</p> <p>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.</p> <p>The valuation is considered to be a significant risk as, given the quantum of the pension deficit, small changes in the assumptions can have a material financial impact on the Group.</p>	<p>In this area our 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.</p> <p>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.</p>



The risk	Our response
<p><b>Royalty accruals £69 million (2014: £70 million) (see note 3.1.5)</b></p> <p>The Group pays royalties directly to artists or producers for content used. The contractual terms of these agreements are varied and complex.</p> <p>The related IT systems can only address part of the processing, necessitating a significant manual element in calculating royalty accruals recorded by the Group.</p> <p>Overall the process is complex and the volume and variety of contracts being interpreted and accounted for combined with the manual nature of the process increases the risk of error.</p>	<p>Among other procedures, we tested manual controls over the recording of royalty costs and the approval of royalty payments.</p> <p>We re-performed a sample of the Group's annual royalty calculations, agreeing key inputs to contracts and the underlying system data.</p> <p>In addition, for a sample of programs, we performed analytical procedures, comparing the royalty costs recorded in the financial statements to our expectation using participation percentages from the underlying contracts, and following up variances.</p>

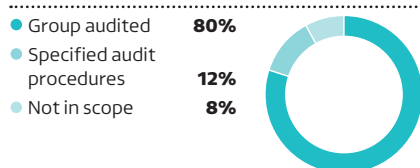
### 3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £29 million (2014: £25 million), determined with reference to a benchmark of Group profit before tax, of which it represents 4.6% (2014: 4.1%).

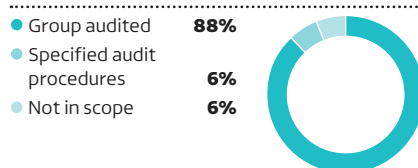
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.5 million (2014: £1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

#### Scoping and coverage

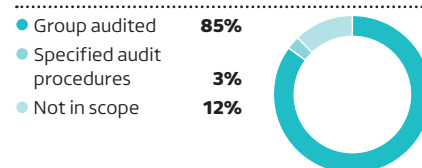
##### Revenue



##### Profit before tax



##### Total assets



The Group's principal operations are in the United Kingdom and only the core UK operations (comprising Broadcast and Online, the UK Studios, Global Entertainment and the central functions) are scoped in for Group audit purposes. The Group audit team performed the audit of the core UK operations as if they were a single aggregated set of financial information using materiality of £25 million (2014: £23 million). The Group audit team performed all of the audit procedures over the risks related to the acquisition of Talpa Media.

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 and one entity in the Netherlands by component auditors simultaneously with the audit of the Group and UK operations. The Group audit team set the materiality for specified audit procedures at £5 million for all components. Together the above audit and these specified audit procedures covered 92% (2014: 96%) of total Group revenue, 94% (2014: 99%) of Group profit before taxation; and 88% (2014: 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

# Independent Auditor's Report to the Members of ITV plc Only continued

## 5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- The Directors' statement of long term viability on page 47, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2018 or
- The disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting

## 6. 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 position and 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' statements, set out on pages 91 and 47, in relation to going concern and longer-term viability and
- The part of the Corporate Governance Statement on pages 58 to 61 relating to the Company's compliance with the eleven provisions of the 2014 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 91, 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](http://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](http://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  
2 March 2016

# Consolidated Income Statement

For the year ended 31 December	Note	2015 £m	2014 £m
<b>Revenue</b>	2.1	<b>2,972</b>	2,590
Operating costs		<b>(2,306)</b>	(1,939)
<b>Operating profit</b>		<b>666</b>	651
Presented as:			
Earnings before interest, tax, amortisation (EBITA) before exceptional items	2.1	<b>842</b>	730
Operating exceptional items	2.2	<b>(109)</b>	(12)
Amortisation of intangible assets	3.3	<b>(67)</b>	(67)
Operating profit		<b>666</b>	651
Financing income	4.4	<b>6</b>	22
Financing costs	4.4	<b>(37)</b>	(73)
<b>Net financing costs</b>	4.4	<b>(31)</b>	(51)
Gain on sale of non-current assets (exceptional items)	2.2	<b>5</b>	4
Gain on sale of subsidiaries and investments (exceptional items)	2.2	<b>1</b>	1
<b>Profit before tax</b>		<b>641</b>	605
Taxation	2.3	<b>(139)</b>	(132)
<b>Profit for the year</b>		<b>502</b>	473
<b>Profit attributable to:</b>			
Owners of the Company		<b>495</b>	466
Non-controlling interests	4.6.6	<b>7</b>	7
<b>Profit for the year</b>		<b>502</b>	473
<b>Earnings per share</b>			
Basic earnings per share	2.4	<b>12.4p</b>	11.6p
Diluted earnings per share	2.4	<b>12.3p</b>	11.5p

# Consolidated Statement of Comprehensive Income

For the year ended 31 December	Note	2015 £m	2014 £m
<b>Profit for the year</b>		<b>502</b>	473
<b>Other comprehensive income:</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Revaluation of available for sale financial assets	4.6.4	(1)	3
Net loss on cash flow hedges	4.3/4.6.3	-	(4)
Exchange differences on translation of foreign operations (net of hedging)	4.6.3	10	22
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurement gains on defined benefit pension schemes	3.7	91	24
Income tax charge on items that will never be reclassified	2.3	(19)	(3)
<b>Other comprehensive income/(cost) for the year, net of income tax</b>		<b>81</b>	42
<b>Total comprehensive income for the year</b>		<b>583</b>	515
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		576	508
Non-controlling interests	4.6.6	7	7
<b>Total comprehensive income for the year</b>		<b>583</b>	515



# Consolidated Statement of Financial Position

As at 31 December	Note	2015 £m	2014 £m
<b>Non-current assets</b>			
Property, plant and equipment	3.2	239	248
Intangible assets	3.3	1,500	1,129
Investments in joint ventures, associates and equity investments	3.5	30	14
Derivative financial instruments	4.3	8	16
Distribution rights	3.1.1	29	13
Deferred tax asset	2.3	–	43
		<b>1,806</b>	<b>1,463</b>
<b>Current assets</b>			
Programme rights and other inventory	3.1.2	373	367
Trade and other receivables due within one year	3.1.4	531	385
Trade and other receivables due after more than one year	3.1.4	33	24
Trade and other receivables		<b>564</b>	<b>409</b>
Current tax receivable		13	–
Derivative financial instruments	4.3	1	11
Cash and cash equivalents	4.1	294	297
		<b>1,245</b>	<b>1,084</b>
<b>Current liabilities</b>			
Borrowings	4.2	(11)	(85)
Derivative financial instruments	4.3	(5)	(12)
Trade and other payables due within one year	3.1.5	(786)	(699)
Trade payables due after more than one year	3.1.6	(48)	(27)
Trade and other payables		<b>(834)</b>	<b>(726)</b>
Current tax liabilities		(69)	(72)
Provisions	3.6	(28)	(17)
		<b>(947)</b>	<b>(912)</b>
<b>Net current assets</b>		<b>298</b>	<b>172</b>
<b>Non-current liabilities</b>			
Borrowings	4.2	(602)	(171)
Derivative financial instruments	4.3	(6)	(12)
Defined benefit pension deficit	3.7	(176)	(346)
Deferred tax liabilities	2.3	(79)	–
Other payables		(89)	(38)
Provisions	3.6	(5)	(4)
		<b>(957)</b>	<b>(571)</b>
<b>Net assets</b>		<b>1,147</b>	<b>1,064</b>
<b>Attributable to equity shareholders of the parent company</b>			
Share capital	4.6.1	403	403
Share premium	4.6.1	174	174
Merger and other reserves	4.6.2	221	228
Translation reserve		35	25
Available for sale reserve		6	7
Retained earnings		275	177
<b>Total equity attributable to equity shareholders of the parent company</b>		<b>1,114</b>	<b>1,014</b>
Non-controlling interests		33	50
<b>Total equity</b>		<b>1,147</b>	<b>1,064</b>

The accounts were approved by the Board of Directors on 2 March 2016 and were signed on its behalf by:

**Ian Griffiths**  
Group Finance Director

# Consolidated Statement of Changes in Equity

	Note	Attributable to equity shareholders of the parent company					Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m				
Balance at 1 January 2015		403	174	228	25	7	177	1,014	50	1,064
<b>Total comprehensive income for the year</b>										
Profit		-	-	-	-	-	495	495	7	502
<b>Other comprehensive income/(cost)</b>										
Revaluation of available for sale financial assets		-	-	-	-	(1)	-	(1)	-	(1)
Exchange differences on translation of foreign operations (net of hedging)		-	-	-	10	-	-	10	-	10
Remeasurement gains on defined benefit pension schemes	3.7	-	-	-	-	-	91	91	-	91
Reclassification of revaluation reserve on disposal of property, plant and equipment		-	-	(4)	-	-	4	-	-	-
Income tax charge on other comprehensive income	2.3	-	-	-	-	-	(19)	(19)	-	(19)
Total other comprehensive income		-	-	(4)	10	(1)	76	81	-	81
<b>Total comprehensive income for the year</b>		-	-	(4)	10	(1)	571	576	7	583
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Equity dividends		-	-	-	-	-	(459)	(459)	(5)	(464)
Movements due to share-based compensation	4.7	-	-	-	-	-	14	14	-	14
Tax on items taken directly to equity	2.3	-	-	-	-	-	5	5	-	5
Purchase of own shares via employees' benefit trust	4.7	-	-	-	-	-	(33)	(33)	-	(33)
Total contributions by and distributions to owners		-	-	-	-	-	(473)	(473)	(5)	(478)
<b>Total transactions with owners</b>		-	-	-	-	-	(473)	(473)	(5)	(478)
Changes in non-controlling interests <sup>(a)</sup>	3.4	-	-	(3)	-	-	-	(3)	(19)	(22)
<b>Balance at 31 December 2015</b>	<b>4.6</b>	<b>403</b>	<b>174</b>	<b>221</b>	<b>35</b>	<b>6</b>	<b>275</b>	<b>1,114</b>	<b>33</b>	<b>1,147</b>

(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 continued

	Note	Attributable to equity shareholders of the parent company					Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m				
Balance at 1 January 2014		403	174	248	7	4	22	858	31	889
<b>Total comprehensive income for the year</b>										
Profit		-	-	-	-	-	466	466	7	473
<b>Other comprehensive income/(cost)</b>										
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 (net of hedging)		-	-	-	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
<b>Total comprehensive income for the year</b>		-	-	-	18	3	487	508	7	515
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
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)
<b>Total transactions with owners</b>		-	-	-	-	-	(332)	(332)	(8)	(340)
Changes in non-controlling interests <sup>(a)</sup>	3.4	-	-	(20)	-	-	-	(20)	20	-
<b>Balance at 31 December 2014</b>	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 Cash Flows

For the year ended 31 December	Note	£m	2015 £m	£m	2014 £m
<b>Cash flows from operating activities</b>					
Cash generated from operations before exceptional items:	2.1		827		702
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2	(109)		(10)	
Prepaid employment linked consideration	3.4	(109)		-	
Increase in exceptional payables		60		3	
Decrease in exceptional prepayments and other receivables		36		-	
Cash outflow from exceptional items			(122)		(7)
Cash generated from operations			705		695
Defined benefit pension deficit funding		(90)		(91)	
Interest received		25		41	
Interest paid on bank and other loans		(34)		(51)	
Interest paid on finance leases		-		(1)	
Net taxation paid		(117)		(85)	
			(216)		(187)
<b>Net cash inflow from operating activities</b>			<b>489</b>		<b>508</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary undertaking, net of cash acquired	3.4	(406)		(214)	
Prepaid employment linked consideration	3.4	109		-	
Net consideration paid		(297)		(214)	
Proceeds from sale of property, plant and equipment		28		15	
Acquisition of property, plant and equipment		(33)		(27)	
Acquisition of intangible assets		(16)		(10)	
Acquisition of investments		(14)		(7)	
Loans granted to associates and joint ventures		(2)		(3)	
Proceeds from sale of subsidiaries, joint ventures and available for sale investments		1		1	
<b>Net cash inflow/(outflow) from investing activities</b>			<b>(333)</b>		<b>(245)</b>
<b>Cash flows from financing activities</b>					
Bank and other loans – amounts repaid		(447)		(110)	
Bank and other loans – amounts raised		797		-	
Capital element of finance lease payments		(7)		(21)	
Issue of share capital		-		-	
Equity dividends paid		(459)		(313)	
Dividend paid to minority interest		(5)		(8)	
Purchase of own shares via employees' benefit trust		(33)		(33)	
<b>Net cash outflow from financing activities</b>			<b>(154)</b>		<b>(485)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			<b>2</b>		<b>(222)</b>
<b>Cash and cash equivalents at 1 January</b>	4.1		<b>297</b>		<b>518</b>
Effects of exchange rate changes and fair value movements			(5)		1
<b>Cash and cash equivalents at 31 December</b>	4.1		<b>294</b>		<b>297</b>

# 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 2015 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 the Group's interests in associates and jointly controlled entities. The Company is domiciled in the United Kingdom.

As required by European Union law (IAS Regulation EC 1606/2002) the Group's financial statements 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 parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101).

### Going concern

At 31 December 2015 the Group was in a net debt position. The Group's strong balance sheet and continued generation of significant free cash flows has enabled further acquisitions as well as the payment of a special dividend. The Group has also sought to gain further efficiencies in the balance sheet and maintain the flexibility to invest in the business by issuing a new Eurobond (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 operation for at least twelve months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

### Subsidiaries, joint ventures, associates and available for sale investments

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.

Investments where the Group concludes it does not have significant influence are deemed 'available for sale'. These investments are held at fair value unless the investment is a start-up business, in which case it is valued at cost and assessed for impairment.



# Notes to the Financial Statements

## Section 1: Basis of Preparation continued

### 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)
- Business combinations (note 3.3 and note 3.4)
- Allocation of goodwill and assets to CGUs and impairment of assets (note 3.3)

In addition to the above, 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)

### 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 2015:

Accounting Standard	Requirement	Impact on financial statements
<b>IAS 19 Employee Benefits</b>	The amendment was to simplify the accounting for contributions that are independent of the number of years of employee service.	The amendment has not had any impact on the Group.
<b>Annual Improvements to IFRS 2010 – 2012 cycle</b>	Various amendments to simplify various standards including IFRS 2 Share-based payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets.	The amendments do not change our accounting and therefore have no impact on the Group's financial position or performance.
<b>Annual Improvements to IFRS 2011 – 2013 cycle</b>	Various amendments to simplify various standards including IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, IAS 40 Investment Property.	The amendments do not change our accounting and therefore have no impact on the Group's financial position or performance.

The Directors also considered the impact on the Group of other new and revised accounting standards, interpretations or amendments 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.

IFRS 9 Financial Instruments is effective 1 January 2018 but has not yet been endorsed by the EU. The Directors are currently assessing the impact this standard would have on its financial position and performance.

IFRS 15 Revenue from Contracts with Customers is also effective 1 January 2018 and has also not been endorsed by the EU. The Directors have performed an initial assessment and do not expect a material impact on our Broadcast business. The assessment on our Studios business is ongoing.

IFRS 16 Leases is effective 1 January 2019 and has not been endorsed by the EU. The Directors are currently assessing the impact this standard would have on its financial position and performance.

# Notes to the Financial Statements

## 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.

## 2.1 Profit before tax

### 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.

### Accounting policies

#### Revenue recognition

Revenue is stated exclusive of VAT and comprises the sale of products and services to third parties. Judgement is required when determining the appropriate timing and amount of revenue that can be recognised, specifically around whether there is a firm contract and that the service has been provided, and if so, whether there is a fixed or reasonably determinable price that is reasonably certain will be collected.

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)	on transmission, as audience targets are met
Broadcast & Online	Sponsorship	across period of transmission of the sponsored programme or series
Broadcast & Online	Pay	over the term of the contract or accrued in the month for the expected revenue per subscriber or download 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	Format and licences	at the point in time when the license is transferred and the customer is able to use and benefit from the licence
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)

The results for the year aggregate these classes of revenue into four significant categories:

	2015 £m	2014 £m
<b>Broadcast &amp; Online</b>		
NAR	1,719	1,629
Non-NAR	427	394
<b>ITV Studios</b>		
Productions	1,045	789
Distribution	192	144
<b>Total revenue</b>	<b>3,383</b>	<b>2,956</b>

### Segmental information

Operating segments, which have not been aggregated, are determined in a manner that is consistent with how the business is managed and reported to the Board of Directors. The Board is regarded as the chief operating decision maker.

The Board considers the business primarily from an operating activity perspective. The reportable segments for the years ended 31 December 2015 and 31 December 2014 are therefore Broadcast & Online and ITV Studios, the results of which are outlined in the following tables:

	Broadcast & Online 2015 £m	ITV Studios* 2015 £m	Consolidated 2015 £m
Total segment revenue	2,146	1,237	3,383
Intersegment revenue	–	(411)	(411)
Revenue from external customers	2,146	826	2,972
EBITA before exceptional items	659	183	842
Share of losses of joint ventures and associated undertakings	–	–	–

	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	–	–	–

\* Revenue of £389 million (2014: £255 million) was generated in the US during the year, and represented £314 million (2014: £297 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.

# Notes to the Financial Statements

## Section 2: Results for the Year continued

### 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 on multiple platforms including the ITV Hub, pay platforms, or through direct content deals. Content, that 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, HD digital channels on pay platforms (e.g. Sky and Virgin), SDN revenue (which generates licence sales for DTT Multiplex A), and participation revenue (which includes interactive sales from competitions) and ITV Choice in other countries.

### 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 main channel spend on commissioned programming. Programming is also sold to other UK broadcasters such as the BBC, Channel 4 and Sky.

ITV 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 five other international locations being Australia, Germany, France, Netherlands (primarily Talpa) 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 in the UK.

Global Entertainment and Talpa Global, ITV's distribution businesses, license 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:

	2015 £m	2014 £m
EBITA before exceptional items	842	730
Operating exceptional items	(109)	(12)
Amortisation of intangible assets	(67)	(67)
Net financing costs	(31)	(51)
Share of losses of joint ventures and associated undertakings	-	-
Gain on sale of non-current assets (exceptional items)	5	4
Gain on sale of subsidiaries and investments (exceptional items)	1	1
<b>Profit before tax</b>	<b>641</b>	<b>605</b>

The Group's principal operations are in the United Kingdom. Revenue from external customers in the United Kingdom is £2,275 million (2014: £2,123 million), and total revenue from external customers in other countries is £697 million (2014: £467 million).

There are two media buying agencies (2014: two) 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 £576 million (2014: £571 million) and £339 million (2014: £312 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:

	2015 £m	2014 £m
<b>Cash flows from operating activities</b>		
Profit before tax	641	605
Gain on sale of subsidiaries and investments (exceptional items)	(1)	(1)
Gain on sale of non-current assets (exceptional items)	(5)	(4)
Net financing costs	31	51
Operating exceptional items	109	12
Depreciation of property, plant and equipment	27	27
Amortisation of intangible assets	67	67
Share-based compensation and pension service costs	17	14
Decrease/(increase) in programme rights and other inventory, and distribution rights	4	(39)
(Increase)/decrease in receivables	(21)	18
Decrease in payables	(42)	(48)
Movement in working capital	(59)	(69)
<b>Cash generated from operations before exceptional items</b>	<b>827</b>	<b>702</b>

### Operating costs

#### Staff costs

Staff costs before exceptional items can be analysed as follows:

	2015 £m	2014* £m
Wages and salaries	318	277
Social security and other costs	43	44
Share-based compensation (see note 4.7)	14	14
Pension costs	25	21
<b>Total staff costs</b>	<b>400</b>	<b>356</b>
Less: staff costs allocated to productions	(137)	(118)
<b>FTEE staff costs (non-production)</b>	<b>263</b>	<b>238</b>

\* The prior year classification of 'staff costs allocated to productions' has been revised to present a consistent and comparable methodology to the 2015 allocation. There is no change in the total FTEE staff costs and no impact on the Income Statement.

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:

	2015	2014
Broadcast & Online	2,109	2,042
ITV Studios	3,449	2,517
	<b>5,558</b>	<b>4,559</b>

The increase in full-time equivalent employees in ITV Studios is primarily driven by the acquisitions completed in 2015.

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 2015 are set out in the ITV plc entity financial statements.

### Depreciation

Depreciation in the year was £27 million (2014: £27 million), of which £14 million (2014: £15 million) relates to Broadcast & Online and £13 million (2014: £12 million) to ITV Studios.

## Notes to the Financial Statements

### Section 2: Results for the Year continued

#### Operating leases

The total undiscounted future minimum lease payments under non-cancellable operating leases are due for payment as follows:

2015	Transponders	Property	Total
Within one year	34	17	51
Later than one year and not later than five years	111	48	159
Later than five years	115	21	136
	<b>260</b>	<b>86</b>	<b>346</b>

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
	<b>319</b>	<b>62</b>	<b>381</b>

The Group's operating leases relate to transponder assets, offices 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 run for terms ranging from five to twenty years, depending on the expected operational use of the site. Leases may include break clauses or options to renew (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 £1 million (2014: £2 million).

The total operating lease expenditure recognised during the year was £51 million (2014: £49 million) and total sublease payments received were £2 million (2014: £1 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.

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

	2015 £m	2014 £m
For the audit of the Group's annual accounts	0.6	0.6
For the audit of subsidiaries of the Group	0.4	0.2
Audit-related assurance services	0.2	0.2
<b>Total audit and audit-related assurance services</b>	<b>1.2</b>	<b>1.0</b>
Taxation compliance services	–	0.2
Taxation advisory services	0.1	0.2
Other assurance services	0.3	0.2
<b>Total non-audit Services</b>	<b>0.4</b>	<b>0.6</b>
<b>Total fees paid to KPMG</b>	<b>1.6</b>	<b>1.6</b>

There were no fees payable in 2015 or 2014 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 excluded from management's assessment of profit because by their size or 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.	2015 £m	2014 £m
Operating exceptional items:			
Acquisition-related expenses	A	(88)	(6)
Reorganisation and restructuring costs	B	(13)	(6)
Legal related costs	E	(8)	–
<b>Total net operating exceptional items</b>		<b>(109)</b>	<b>(12)</b>
Non-operating exceptional items:			
Gain on sale of non-current assets	C	5	4
Gain on sale and impairment of subsidiaries and investments	D	1	1
<b>Total non-operating exceptional items</b>		<b>6</b>	<b>5</b>
<b>Total exceptional items before tax</b>		<b>(103)</b>	<b>(7)</b>
Tax on exceptional items		8	2
<b>Total exceptional items net of tax</b>		<b>(95)</b>	<b>(5)</b>

#### A – Acquisition-related expenses

Acquisition-related expenses of £88 million includes £78 million (2014: £3 million) relating to performance-based, employment linked costs to former owners mainly in relation to Talpa Media, and professional fees (mainly financial and legal due diligence) incurred on the acquisitions completed during the year of £10 million (2014: £3 million). See note 3.4 for further details on acquisitions.

#### B – Reorganisation and restructuring costs

In 2015 £13 million (2014: £6 million) of costs were incurred as a result of a Group-wide initiative to significantly reduce the ongoing cost base, primarily comprised of restructuring of the US business, redundancy and excess space provisions.

#### C – Gain on sale of non-current assets

In 2015 a £5 million gain on sale of non-current assets arose primarily as a result of the sale of a freehold property and related assets in Manchester. The 2014 gain of £4 million arose 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 (2014: £1 million) relates to a historical disposal.

#### E – Legal related costs

£8 million (2014: £nil) provision for anticipated costs of settling a legal dispute.

# Notes to the Financial Statements

## Section 2: Results for the Year continued

### 2.3 Taxation

#### Keeping it simple



This section sets out the Group's 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 profit before tax to the tax charge for the period and the movements in deferred tax assets and liabilities.

#### Accounting policies

The tax charge for the period is recognised in the income statement, the statement of comprehensive income and directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax. The calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be fully determined until a resolution has been reached by the relevant tax authority.

#### Current tax

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 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 current tax and deferred tax provisions in the period in which such determination is made.

#### Deferred tax

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. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date.

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:

	2015 £m	2014 £m
Current tax:		
Current tax charge before exceptional items	(125)	(118)
Current tax credit/(charge) on exceptional items	6	(2)
	(119)	(120)
Adjustments to prior periods	9	(6)
	(110)	(126)
Deferred tax:		
Origination and reversal of temporary differences	(20)	(9)
Deferred tax credit on exceptional items	2	-
Impact of change in the statutory tax rate	(2)	-
	(20)	(9)
Adjustments to prior periods	(9)	3
	(29)	(6)
<b>Total taxation charge in the income statement</b>	<b>(139)</b>	<b>(132)</b>

In order to understand how, in the income statement, a tax charge of £139 million (2014: £132 million) arises on a profit before tax of £641 million (2014: £605 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2015 £m	2014 £m
Profit before tax	641	605
Notional taxation charge at UK corporation tax rate of 20.25% (2014: 21.5%) on profit before tax	(130)	(130)
Non-taxable income/non-deductible expenses	(23)	2
Adjustments to prior periods	-	(3)
Impact of overseas tax rates	(7)	(1)
Impact of changes in tax rates	(2)	-
Production tax credits	23	-
<b>Total taxation charge in the income statement</b>	<b>(139)</b>	<b>(132)</b>

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.

Adjustments to 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.

The impact of overseas tax rates reflects the fact that some of our profits are earned in territories other than the UK, and taxed at rates different to the UK corporation tax rate.

On 26 October 2015, the UK corporation tax rate was substantively enacted to fall to 19% from 1 April 2017 and 18% from 1 April 2020. The carrying value of UK temporary differences at the balance sheet date has been adjusted accordingly. This has given rise to a charge of £1 million (2014: £nil million) of which £2 million is recognised as a charge in the income statement and £1m as a credit in other comprehensive income.

Production tax credits are incentives provided to creative industries such as UK High-End Television (HETV) tax relief. The ability to access these tax credits is fundamental when assessing the viability of investment decisions in the production of high-end drama. Under IFRS certain production tax credits are reported within the total taxation charge in the income statement, however ITV considers them to be working capital in nature, and excludes them from its adjusted tax charge, including them instead within Adjusted EBITA.



# Notes to the Financial Statements

## Section 2: Results for the Year continued

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 2015 and 31 December 2014, 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 how tax impacts total adjusted earnings in a way that is more aligned with the Group's cash tax position.

### Taxation – Other comprehensive income and equity

As analysed in the table below, a deferred tax charge of £19 million on actuarial movements on pensions has been recognised in other comprehensive income. A deferred tax charge of £2 million has been recognised in equity in respect of share based payments.

A current tax credit of £7 million has also been recognised in equity in relation to share based payments.

### 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 2015 £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Business acquisitions £m	At 31 December 2015 £m
Property, plant and equipment	(1)	1	–	–	–
Intangible assets	(15)	(10)	–	(76)	(101)
Programme rights	1	–	–	–	1
Pension scheme deficits	36	(16)	(19)	–	1
Tax losses	7	(3)	–	–	4
Share-based compensation	14	(1)	(2)	–	11
Other temporary differences	1	–	–	4	5
	43	(29)	(21)	(72)	(79)

	At 1 January 2014* £m	Recognised in the income statement* £m	Recognised in OCI and equity £m	Business acquisitions £m	At 31 December 2014* £m
Property, plant and equipment	(6)	5	–	–	(1)
Intangible assets	(13)	(2)	–	–	(15)
Programme rights	1	–	–	–	1
Pension scheme deficits	56	(16)	(4)	–	36
Tax losses	2	5	–	–	7
Share-based compensation	13	–	1	–	14
Other temporary differences	(1)	2	–	–	1
	52	(6)	(3)	–	43

\* The prior year movements on deferred tax relating to overseas businesses have been reallocated to the relevant temporary difference categories.

At 31 December 2015, total deferred tax assets are £22 million (2014: £55 million) and total deferred tax liabilities are £101 million (2014: £12 million). After netting off balances within countries, there is a net deferred tax liability of £79m (2014: net deferred tax asset of £43 million) recognised in the Consolidated Statement of Financial Position.

The deferred tax balance relates to:

- property, plant and equipment temporary differences arising on assets qualifying for tax depreciation
- temporary differences on intangible assets arising on business combinations
- programme rights – temporary differences on intercompany profits on stock
- 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)
- temporary differences arising from the timing of the use of tax losses
- share-based compensation temporary differences on share schemes and
- other temporary differences on provisions and other items

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 £102 million to the Group's defined benefit pension scheme. The adjustment in other comprehensive income to the deferred tax balance primarily relates to the actuarial gains recognised in the period.

A deferred tax asset of £399 million (2014: £444 million) in respect of capital losses of £2,215 million (2014: £2,221 million) has not been recognised due to uncertainties as to 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 £15 million (2014: £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 £495 million (2014: £466 million) divided by 4,006 million (2014: 4,002 million) being the weighted average number of shares in issue during the year.

**Diluted EPS** reflects any commitments made by the Group to issue shares in the future and so it includes the impact of share options.

**Adjusted EPS** is presented 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 reflects the impact of operating and non-operating exceptional items on Basic EPS. Other items excluded from Adjusted EPS include amortisation and impairment of intangible assets acquired through business combinations; net financing cost adjustments and the tax adjustments relating to these items. Each of these adjustments are explained in detail in the section below.

The calculation of Basic EPS and Adjusted EPS, together with the diluted impact on each, is set out below:

### Earnings per share 2015

	Ref.	Basic £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		495	495
Weighted average number of ordinary shares in issue – million		4,006	4,006
Dilution due to share options		–	29
Total weighted average number of ordinary shares in issue – million		4,006	4,035
<b>Earnings per ordinary share</b>		<b>12.4p</b>	<b>12.3p</b>

Adjusted profit for the year removes the effect of exceptional items, as described in the 'Keeping it simple' box above. Further detail on the composition of each adjustment is cross-referenced in the following notes.

# Notes to the Financial Statements

## Section 2: Results for the Year continued

### Adjusted earnings per share 2015

	Ref.	Adjusted £m	Diluted £m
Profit for the year attributable to equity shareholders of ITV plc		495	495
Exceptional items (net of tax)	A	95	95
<b>Profit for the year before exceptional items</b>		<b>590</b>	<b>590</b>
Amortisation and impairment of acquired intangible assets	B	54	54
Adjustments to net financing costs	C	15	15
<b>Adjusted profit</b>		<b>659</b>	<b>659</b>
Total weighted average number of ordinary shares in issue – million		4,006	4,035
<b>Adjusted earnings per ordinary share</b>		<b>16.5p</b>	<b>16.3p</b>

### 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		–	38
Total weighted average number of ordinary shares in issue – million		4,002	4,040
Earnings per ordinary share		11.6p	11.5p

### 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	A	5	5
<b>Profit for the year before exceptional items</b>		<b>471</b>	<b>471</b>
Amortisation and impairment of acquired intangible assets	B	44	44
Adjustments to net financing costs	C	34	34
Other tax adjustments	B	5	5
<b>Adjusted profit</b>		<b>554</b>	<b>554</b>
Total weighted average number of ordinary shares in issue – million		4,002	4,040
<b>Adjusted earnings per ordinary share</b>		<b>13.8p</b>	<b>13.7p</b>

Details of the adjustments to earnings are as follows:

**A.** Refer to Note 2.2 for the detailed composition of after tax impact of exceptional items (both operating and non operating) of £95 million (2014: £5 million).

**B.** Amortisation and impairment of acquired intangible assets of £58 million (2014: £44 million) is excluded from adjusted profit. It is calculated as total amortisation and impairment of £67 million (2014: £67 million), less amortisation of software licences and development of £9 million (2014: £11 million). A related tax credit of £13 million (2014: £12 million) is also excluded in arriving at the net amount, which is further adjusted to recognise the £9 million cash tax benefit arising from goodwill on US acquisitions, which for tax purposes is amortised over a 15 year period (2014: £5 million shown within other tax adjustments).

**C.** Gross adjustments of £18 million (2014: £44 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 £3 million (2014: £10 million) to give a net adjustment of £15 million (2014: £34 million).

# Notes to the 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. On the following pages there are notes covering working capital, non-current assets and liabilities, acquisitions and disposals, provisions and pensions.

Liabilities relating to the Group's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.3.

### 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%. For those subsidiaries acquired during the year, working capital at the date of acquisition is excluded from the profit to cash calculation so that only subsequent working capital movements in the period owned by ITV are reflected in this metric.

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 end are as follows:

	2015 £m	2014 £m
Distribution rights	29	13

The movement during the year comprises additions of £43 million (2014: £21 million) and amounts charged to the income statement of £27 million (2014: £18 million).

# Notes to the Financial Statements

## Section 3: Operating Assets and Liabilities continued

### 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 associated with the broadcast are included 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 the production cost incurred, and are expensed 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 the commissioning network licence fee, the remaining production deficit is recovered by future distribution sales, and once the production is complete any remaining deficit is classified as a Distribution Right.

In assessing net realisable value for programmes in production, judgement is required when considering the contracted sales price and estimated costs to complete.

The Group's programme rights and other inventory at the year end are shown in the table below:

	2015 £m	2014 £m
<b>Broadcast</b>		
Acquired programme rights	111	101
Commissions	61	57
Sports rights	30	40
<b>ITV Studios</b>		
Production costs	171	169
	<b>373</b>	<b>367</b>



### 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:

	2015 £m	2014 £m
Within one year	451	464
Later than one year and not more than five years	633	462
More than five years	141	58
	<b>1,225</b>	<b>984</b>

### 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:

	2015 £m	2014 £m
Due within one year:		
Trade receivables	328	271
Other receivables	37	27
Prepaid employment linked consideration (see note 3.4)	55	–
Prepayments and accrued income	111	87
	<b>531</b>	<b>385</b>
Due after more than one year:		
Trade receivables	8	7
Prepaid employment linked consideration (see note 3.4)	18	–
Other receivables	7	17
Total trade and other receivables	<b>564</b>	<b>409</b>

Prepaid employment linked consideration totalling £73 million relates to the acquisition of Talpa Media (see note 3.4 for details). This represents the portion of the initial consideration that is recoverable from the seller in the event he leaves within the initial two years following acquisition and is amortised over that period.

£336 million (2014: £278 million) of total trade receivables that are not impaired are aged as follows:

	2015 £m	2014 £m
Current	308	263
Up to 30 days overdue	17	7
Between 30 and 90 days overdue	8	4
Over 90 days overdue	3	4
	<b>336</b>	<b>278</b>

## Notes to the Financial Statements

### Section 3: Operating Assets and Liabilities continued

The balance above is stated net of a provision of £5 million (2014: £7 million) for impairment of trade receivables. Of the provision total, £4 million relates to balances overdue by more than 90 days (2014: £3 million) and £1 million relates to current balances (2014: £4 million).

Movements in the Group's provision for impairment of trade receivables can be shown as follows:

	2015 £m	2014 £m
At 1 January	7	7
Charged during the year	3	2
Receivables written off during the year as uncollectable (utilisation of provision)	-	-
Unused amounts reversed	(5)	(2)
At 31 December	5	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 current and non-current trade payables is considered to approximate fair value. Trade and other payables due within one year can be analysed as follows:

	2015 £m	2014 £m
Trade payables	65	49
VAT and social security	71	68
Other payables	177	159
Accruals	289	250
Deferred income	184	173
	786	699

#### 3.1.6 Trade payables due after more than one year

Trade payables due after more than one year can be analysed as follows:

	2015 £m	2014 £m
Trade payables	48	27

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 £59 million (2014: outflow of £69 million) derived as follows:

	2015 £m	2014 £m
Decrease/(increase) in programme rights and other inventory and distribution rights	4	(39)
(Increase)/decrease in receivables	(21)	18
Decrease in payables	(42)	(48)
Working capital outflow	(59)	(69)

The working capital outflow for the year excludes the impact of balances acquired on the acquisition of subsidiaries during the year (see note 3.4).

## 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 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*	3 to 20 years

\* Equipment includes studio production and technology assets.

# Notes to the Financial Statements

## Section 3: Operating Assets and Liabilities continued

### 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.

### 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
	£m	Long £m	Short £m	Owned £m	Finance leases £m	£m
<b>Cost</b>						
At 1 January 2014	137	69	17	221	16	460
Additions	-	-	-	26	-	26
Reclassification of property fittings	-	(2)	-	2	-	-
Disposals and retirements	(17)	-	-	(12)	-	(29)
<b>At 31 December 2014</b>	<b>120</b>	<b>67</b>	<b>17</b>	<b>237</b>	<b>16</b>	<b>457</b>
Additions	-	-	1	37	-	38
Disposals and retirements	(31)	(1)	-	(10)	-	(42)
<b>At 31 December 2015</b>	<b>89</b>	<b>66</b>	<b>18</b>	<b>264</b>	<b>16</b>	<b>453</b>
<b>Depreciation</b>						
At 1 January 2014	23	11	15	138	14	201
Charge for the year	1	2	-	24	-	27
Disposals and retirements	(7)	-	-	(12)	-	(19)
<b>At 31 December 2014</b>	<b>17</b>	<b>13</b>	<b>15</b>	<b>150</b>	<b>14</b>	<b>209</b>
Charge for the year	1	2	-	24	-	27
Disposals and retirements	(12)	(1)	-	(9)	-	(22)
<b>At 31 December 2015</b>	<b>6</b>	<b>14</b>	<b>15</b>	<b>165</b>	<b>14</b>	<b>214</b>
<b>Net book value</b>						
<b>At 31 December 2015</b>	<b>83</b>	<b>52</b>	<b>3</b>	<b>99</b>	<b>2</b>	<b>239</b>
At 31 December 2014	103	54	2	87	2	248

Additions in the year includes £6 million (2014: £5 million) relating to assets owned by subsidiaries acquired during the year.

Included within property, plant and equipment are assets in the course of construction of £16 million (2014: £10 million).

During the year, the Group disposed of the Quay Street site and related assets in Manchester for £23 million, representing a gain on sale of £5 million. In 2014, the Group sold a freehold property in Cardiff for proceeds of £15 million, representing a gain on sale of £5 million. In 2013 the Group acquired the freehold for the London Television Centre for £58 million, although the Directors' view is that fair value of the property would be significantly higher.

### Capital commitments

There are £2 million of capital commitments at 31 December 2015 (2014: £2 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 formats and 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 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.



# Notes to the 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 that are distinct and can be sold separately or which arise from legal rights.

Within ITV there are two types of other intangible assets: those assets directly purchased by the Group for day-to-day operational purposes (such as software licences and development) and intangible assets identified as part of an acquisition of a business.

Intangible assets acquired directly by the Group are stated at cost less accumulated amortisation. Those separately identified intangible assets acquired as part of an acquisition or business combination are shown at fair value at the date of acquisition less accumulated amortisation.

The main intangible assets the Group has valued are formats, 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
Formats and brands	Applying a royalty rate to the expected future revenue over the life of the brand.	Straight-line	8 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 associated with long-term forecasting. 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.

# Notes to the Financial Statements

## Section 3: Operating Assets and Liabilities continued

### Intangible assets

Intangible assets can be analysed as follows:

	Goodwill £m	Formats and brands £m	Customer contracts and relationships £m	Contractual arrangements £m	Licences £m	Libraries and other £m	Software licences and development	Total £m
<b>Cost</b>								
At 1 January 2014	3,467	179	352	10	121	81	78	4,288
Additions	146	21	30	–	–	16	11	224
Foreign exchange	14	1	3	–	–	–	–	18
<b>At 31 December 2014</b>	<b>3,627</b>	<b>201</b>	<b>385</b>	<b>10</b>	<b>121</b>	<b>97</b>	<b>89</b>	<b>4,530</b>
Additions	102	273	23	–	–	1	15	414
Foreign exchange	15	7	3	–	–	1	–	26
<b>At 31 December 2015</b>	<b>3,744</b>	<b>481</b>	<b>411</b>	<b>10</b>	<b>121</b>	<b>99</b>	<b>104</b>	<b>4,970</b>
<b>Amortisation and impairment</b>								
At 1 January 2014	2,654	159	326	2	83	50	60	3,334
Charge for the year	–	18	21	3	7	7	11	67
<b>At 31 December 2014</b>	<b>2,654</b>	<b>177</b>	<b>347</b>	<b>5</b>	<b>90</b>	<b>57</b>	<b>71</b>	<b>3,401</b>
Charge for the year	–	27	17	2	4	8	9	67
Foreign exchange	–	1	1	–	–	–	–	2
<b>At 31 December 2015</b>	<b>2,654</b>	<b>205</b>	<b>365</b>	<b>7</b>	<b>94</b>	<b>65</b>	<b>80</b>	<b>3,470</b>
<b>Net book value</b>								
<b>At 31 December 2015</b>	<b>1,090</b>	<b>276</b>	<b>46</b>	<b>3</b>	<b>27</b>	<b>34</b>	<b>24</b>	<b>1,500</b>
At 31 December 2014	973	24	38	5	31	40	18	1,129

All intangible asset additions in the year, excluding software, are due to the acquisition of four production companies, as detailed in note 3.4 (2014: three production companies acquired).

### Goodwill impairment tests

The carrying amount of Goodwill for each CGU is represented as follows:

	2015 £m	2014 £m
Broadcast & Online	342	342
SDN	76	76
ITV Studios	672	555
	<b>1,090</b>	<b>973</b>

There has been no impairment charge for any CGU during the year (2014: £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% (2014: 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.

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. No impairment was identified. Also as part of the impairment review, a sensitivity of up to -15% was applied to 2016, again with no impairment identified. The Directors believe that currently no reasonably possible change in these assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 9.7% (2014: 10.6%) has been used in discounting the projected cash flows.

### 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.

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. No impairment was identified.

As part of the impairment review sensitivity was applied to the main assumptions with no impairment identified (2016: -5% growth, 2017: -10% growth). The Directors believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 11.5% (2014: 12.6%) has been used in discounting the projected cash flows.

### 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 2015, with the largest acquisition addition to goodwill being Leftfield in 2014, followed by Talpa and Twofour in 2015.

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. No impairment was identified.

As part of the impairment review sensitivity was applied to the main assumptions with no impairment identified (2016: -5% growth, 2017: -10% growth). The Directors believe that currently no reasonably possible change in the income and availability assumptions would reduce the headroom in this CGU to zero.

A pre-tax market discount rate of 10.1% (2014: 11.7%) has been used in discounting the projected cash flows.

Following the acquisitions made by ITV Studios in 2015, 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 ITV Studios CGU continues to remain appropriate.

# Notes to the Financial Statements

## 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.

#### Acquisitions

During the period, the Group completed four acquisitions, all of which have been included in the results of the ITV Studios operating segment. Each of the businesses fit with the strategy of growing the Group's content business and to work with other parts of the ITV Studios segment to exploit that content globally. The following section provides a summary of the material acquisitions.

#### Talpa Media B.V.

On 30 April 2015 the Group acquired 100% controlling interests in Talpa Media B.V. and its subsidiaries. Talpa Media is the entertainment show producer behind The Voice, The Voice Kids, I Love My Country, Dating In The Dark and Dance Dance Dance. The Group consolidates 100% of the earnings of the business.

#### Key terms:

Cash consideration of £362 million (€500 million) was paid at acquisition and the maximum total consideration for 100% of the business, including the initial payment, is £796 million (€1,100 million, undiscounted).

The deal structure allows for a further £434 million (€600 million) payable after two, five and eight years, on the achievement of stretching performance targets for the business in the years following acquisition. For these amounts to be payable in the future, the deal requires the seller to remain with the business during the earnout period. Further, if the seller leaves within the first two years following acquisition, a significant portion of the initial consideration would be refunded to ITV.

Structuring the deal in this way helped manage risks in terms of initial capital outlay and created a joint incentive between ITV and the seller to grow the business, however IFRS requires any payment that links a seller to remaining in the business as an employment cost. The Group considers these payments as capital in nature, and therefore expenses in relation to these payments are excluded from adjusted profits as an exceptional item.

#### Acquisition accounting:

Intangibles, being the value placed on formats, brands, customer contracts, non-compete arrangements and libraries, of £276 million (€382 million) were identified and goodwill was valued at £41 million (€57 million). Goodwill represents the value placed on the opportunity to diversify and grow the content and formats produced by the Group. The goodwill arising on acquisition is not expected to be deductible for tax purposes. Other fair value adjustments have been made to the opening balance sheet, though none of them are individually significant.



### Twofour Group

On 24 June 2015 the Group acquired Boom Supervisory Limited, the holding company of Twofour Group. Twofour Group owns 51% of Mainstreet Pictures. Twofour Group is an independent production business with a range of scripted and unscripted programmes including The Jump, Educating Series (Educating Essex, Educating Yorkshire), Hotel Inspector, Taking New York and Ibiza Weekender.

#### Key terms:

The Group purchased the Twofour Group for a cash consideration of £55 million, subsequently the sellers subscribed to 25% of the share capital of the acquiring company. A put and call option has been granted over this 25% in Twofour Group; these options both being exercisable over the next three to five years. The transaction has been accounted for on an anticipated acquisition basis and a non-controlling interest has not been recognised. The maximum total consideration for 100% of the business, including the initial payment, is £280 million (undiscounted). These payments are dependent on future performance of the business and linked to ongoing employment. The Group considers these payments as capital in nature, and therefore expenses in relation to these payments are excluded from adjusted profits as an exceptional item.

#### Provisional acquisition accounting:

Intangibles, being the value placed on formats, brands, customer contracts, non-compete arrangements and libraries, of £18 million were identified and goodwill was valued at £50 million. Goodwill represents the value placed on the opportunity to diversify and grow the content and formats The Group is currently in the process of completing the valuations for the net assets acquired with the businesses. The Group expects to finalise the valuations of acquired assets and liabilities in the first half of 2016.

Goodwill represents the value placed on the opportunity to diversify and grow the content and formats produced by the Group. The goodwill arising on acquisition is not expected to be deductible for tax purposes. Other fair value adjustments have been made to the opening balance sheet, though none of them are individually significant.

#### Other 2015 acquisitions

The Group made an initial payment of £15 million for two smaller acquisitions, Cats on the Roof Media Ltd and Mammoth Screen Ltd, with a view that these acquisitions will strengthen and complement ITV's existing position as a producer for major television networks in the UK. The maximum additional consideration that the Group could pay is £66 million (undiscounted).

Goodwill, which represents the value placed on the opportunity to grow the content produced by the Group, has been provisionally valued at £11 million. The goodwill arising on these acquisitions are not expected to be deductible for tax purposes.

#### Acquisitions in 2014

Leftfield Entertainment was acquired for an initial consideration (net of cash acquired) of £214 million (\$360 million) for 80% of the membership interests in May 2014. The remaining 20% equity interest was acquired in December 2015. In consideration for the acquisition of the minority interest the Group assumed certain obligations of the seller, most notably earnout arrangements for its subsidiaries. No additional cash consideration was payable to the seller as a result of the purchase of the remaining minority interest.

The total maximum additional consideration payable by ITV for the acquisition of 100% of the membership interest of Leftfield Entertainment, including the additional assumed earnout obligations, is £65 million (\$100 million) and is dependent on future performance and is linked to ongoing employment.

Intangible assets of £65 million (\$109 million) were identified in 2014, being the value placed on brands, customer contracts, non-compete arrangements and libraries.

The Group also acquired 51% of the membership interest in DiGa Vision, a US-based producer and 100% of the controlling interest in United Productions, a company based in Denmark. The total initial consideration (net of cash acquired) was £5 million and the maximum additional amount payable is £32 million (undiscounted). The final payout is dependent on future performance and is linked to ongoing employment.

# Notes to the Financial Statements

## Section 3: Operating Assets and Liabilities continued

Intangibles of £2 million were identified, largely reflecting the value placed on brands, customer contracts and contractual arrangements.

### Effect of acquisition

The acquisitions noted above had the following impact on the Group assets and liabilities:

£m	Recognised values on acquisition			2015 Total	2014 Total
	Talpa Media	Twofour	Other		
<b>Consideration transferred:</b>					
Initial consideration (net of cash acquired) (Note A)	347	49	10	406	214
Less: consideration classified as prepaid employment linked consideration (Note B)	(109)	–	–	(109)	(29)
<b>Total consideration</b>	<b>238</b>	<b>49</b>	<b>10</b>	<b>297</b>	185
<b>Fair value of net assets acquired:</b>					
Property, plant and equipment	2	4	–	6	5
Intangible assets	276	18	3	297	67
Deferred tax liabilities	(66)	(5)	–	(71)	–
Trade and other receivables	78	15	8	101	32
Trade and other payables	(93)	(33)	(12)	(138)	(45)
<b>Fair value of net assets</b>	<b>197</b>	<b>(1)</b>	<b>(1)</b>	<b>195</b>	59
Non-controlling interest measured at fair value (Note C)	–	–	–	–	20
<b>Goodwill</b>	<b>41</b>	<b>50</b>	<b>11</b>	<b>102</b>	146
<b>Other information:</b>					
Present value of the liability on options	–	–	–	–	20
Present value at acquisition of the earnout payment (Note D)	186	10	27	223	4
<b>Contributions to the Group's performance:</b>					
<b>From date of acquisition</b>					
Revenue	121	42	22	185	62
EBITA before exceptionals (Note E)	25	2	2	29	14
<b>Proforma – January to December</b>					
Revenue	193	80	33	306	88
EBITA before exceptionals (Note F)	45	3	1	49	20

Note A: Consideration for all acquisitions is net of cash acquired and estimated debt and working capital settlements. Cash acquired during the year comprises Talpa £22 million, Twofour £6 million and Other £5 million.

Note B: Total consideration is net of employment linked consideration of £109 million. IFRS 3 (R) requires the employment linked consideration to be treated as remuneration. This amount is repayable to the Group should the seller terminate the service agreement within the first two years following completion. The remaining balance is shown within trade and other receivables and is expensed over two years.

Note C: Non-controlling interest arises where the Group acquires less than 100% of the equity interest in a business, but obtains control.

Note D: This represents the present value of earnouts as at acquisition.

Note E: Adjusting for exceptional costs relating to employment linked consideration reduces the contribution to the Group's profit after tax for the period from the date of acquisition to a loss of £35 million for Talpa, a profit of £1 million for Twofour and £nil on other acquisitions.

Note F: Adjusting for exceptional costs relating to employment linked consideration reduces the contribution to the Group's profit after tax on a full year proforma basis to a loss of £38 million for Talpa, a profit of £1 million for Twofour and a loss of £1 million on other acquisitions.

## 3.5 Investments

### Keeping it simple



The Group holds non-controlling 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 available for sale 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 an available for sale 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. Available for sale investments are held at fair value unless the investment is a start-up business, in which case it is valued at cost and assessed for impairment.

The carrying value of all investments are shown as non-current assets on the Statement of Financial Position. The £16 million increase in the year comprises £14 million in relation to the acquisition of associates and available for sale investments and £2 million of funding to existing joint ventures.

Please refer to page 170 for the list of principal investments held at 31 December 2015.

## 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.

## Notes to the Financial Statements

### Section 3: Operating Assets and Liabilities continued

#### Provisions

The movements in provisions during the year are as follows:

	Contract provisions £m	Property provisions £m	Legal and Other provisions £m	Total £m
At 1 January 2015	3	3	15	21
Additions	5	–	10	15
Utilised	(2)	–	–	(2)
Released	–	(1)	–	(1)
<b>At 31 December 2015</b>	<b>6</b>	<b>2</b>	<b>25</b>	<b>33</b>

Provisions of £28 million are classified as current liabilities (2014: £17 million). Unwind of the discount is £nil in 2015 and 2014.

Contract provisions comprise onerous commitments on transmission infrastructure that are expected to be utilised over the remaining contract period and onerous technology services contracts which will not be utilised.

Legal and Other provisions totalling £25 million (2014: £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 Group companies, which would require the Group to put in place financial support for the Boxclever Scheme. The Group is challenging this in the Upper Tribunal. 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. The increase in provisions during the year was primarily due to anticipated costs of settling other legal matters.

## 3.7 Pensions

### Keeping it simple



In this note we explain the accounting policies governing the Group's pension scheme, 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.

#### What are the Group's pension schemes?

There are two types of pension schemes. A 'Defined Contribution' scheme that is open to ITV employees, and a number of 'Defined Benefit' schemes that have been closed to new members since 2006.

#### What is a Defined Contribution scheme?

The 'Defined Contribution' scheme is where the Group makes fixed payments into a separate fund on behalf of those employees that have elected to participate in saving for their retirement. ITV has no further obligation to the participating employee and 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.

#### What is a Defined Benefit scheme?

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.

### 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 2015, total contributions expensed were £16 million (2014: £14 million).

#### Defined benefit scheme

The Group's obligation in respect of the Defined Benefit Scheme (the 'Scheme') is calculated by estimating the amount of future retirement benefit that eligible employees ('members') have earned in return for their services. That benefit payable in the future is discounted to today's value and then the fair value of scheme assets contributed by the Group is deducted to measure the net pension deficit.

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 of members in the future up to retirement.



# Notes to the Financial Statements

## Section 3: Operating Assets and Liabilities continued

These calculations are complex and are performed by a qualified actuary. There are many judgements and estimates necessary to calculate the Group's estimated liabilities, the main assumptions are set out later in this section. Movements in assumptions during the year are called 'actuarial gains and losses' and these are recognised in the period in which they arise through the statement of comprehensive income.

The latest triennial valuation of the Scheme was undertaken as at 1 January 2014 by an independent actuary appointed by the Trustee of the Scheme and agreed in early 2016. The next triennial valuation will be as at 1 January 2017 and is expected to be agreed in 2018. 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 2015 was £176 million (2014: £346 million).

The net 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:

	2015 £m	2014 £m
Total defined benefit scheme obligations	(3,446)	(3,687)
Total defined benefit scheme assets	3,270	3,341
<b>Net pension deficit</b>	<b>(176)</b>	<b>(346)</b>

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.

### Defined benefit scheme obligations

#### Keeping it simple



#### What cause movements in the defined benefit pension obligations?

The areas that impact the defined benefit obligation (the pension scheme liabilities) position at the year end are as follows:

- **Current service cost** – the cost to the Group of the future benefits earned by members that relates to the members' service in the current year. This is charged to operating costs in the income statement.
- **Interest cost** – the pension obligations payable in the future are discounted to the present value at year end. A discount factor is used to determine the current value today of the future cost. The interest cost is the unwinding of one year's movement in the present value of the obligation. It is broadly determined by multiplying the discount rate at the beginning of the period by the updated present value of the obligation during the period. The discount rate is a key assumption explained later in this section. This interest cost is recognised through net financing costs in the income statement (see note 4.4).
- **Actuarial gains or losses** – there are broadly two causes of actuarial movements. 'Experience' adjustments, which arise when comparing assumptions made when estimating the liabilities and what has actually occurred, and adjustments resulting from changes in actuarial assumptions e.g. movements in corporate bond yields. Key assumptions are explained in detail later in this section. 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:

	2015 £m	2014 £m
<b>Defined benefit obligation at 1 January</b>	<b>3,687</b>	3,315
Current service cost	8	7
Interest cost	126	144
Actuarial (gain) / loss	(217)	366
Benefits paid	(158)	(145)
<b>Defined benefit obligation at 31 December</b>	<b>3,446</b>	3,687

Of the above total defined benefit obligation at 31 December 2015, £46 million relates to unfunded schemes (2014: £48 million). See note 4.1 for details.

### Assumptions used to estimate the Scheme obligations

#### Keeping it simple



#### What are the main assumptions used to estimate the Scheme obligations?

The main assumptions are:

- 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
- the discount rate used to estimate the present day fair value of these obligations

#### How do we determine the appropriate assumptions?

The Group takes independent actuarial advice relating to the appropriateness of the assumptions used.

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 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 discount rate has therefore been obtained using the yields available on AA rated corporate bonds which match projected cash flows. The Group's estimate of the weighted average term of the liabilities is 15 years (2014: 15 years).

The principal assumptions used in the Scheme's valuations at the year end were:

	2015	2014
Discount rate for:		
Past service liabilities	3.80%	3.50%
Future service liabilities	4.00%	3.70%
Inflation assumption for:		
Past service liabilities	3.00%	3.00%
Future service liabilities	3.10%	3.05%
Rate of pensionable salary increases	0.90%	0.90%
Rate of increase in pension payment (LPI <sup>1</sup> 5% pension increases)	2.90%	2.90%
Rate of increase to deferred pensions (CPI)	2.00%	2.00%

1. Limited Price Index.

## Notes to the Financial Statements

### Section 3: Operating Assets and Liabilities continued

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:

	2015	2015	2014	2014
Retiring today at age	60	65	60	65
Males	28.0	23.2	27.9	23.1
Females	30.6	25.7	30.5	25.6
Retiring in 20 years at age	60	65	60	65
Males	30.0	25.0	29.9	24.9
Females	32.6	27.6	32.5	27.5

#### Keeping it simple



#### Which assumptions have the biggest impact on estimating the Scheme liabilities?

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. This 'sensitivity' to change is analysed below to demonstrate how small changes in assumptions can have a large impact on the estimation of the Scheme's liabilities.

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 0.1%	Decrease/increase by £50 million / £55 million
Rate of inflation (Retail Price Index)	Increase/decrease by 0.1%	Increase/decrease by £15 million / £15 million
Rate of inflation (Consumer Price Index)	Increase/decrease by 0.1%	Increase/decrease by £10 million / £10 million
Life expectations	Increase by one year	Increase by £90 million

The analysis above considers the impact of the single change in the assumption while keeping the other assumptions unchanged, except for inflation. The inflation sensitivities allow for consequential changes to all pension increases linked to the relevant index. The sensitivity analyses have been determined by extrapolating the impact on the defined benefit obligation at the year end with changes in key assumptions that might reasonably occur.

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 analysis for the impact of life expectations on the defined benefit liability does not include the potential offsetting benefit of the longevity swap classified as a Scheme asset. 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. (Please refer to the 'Keeping it simple' box in the following section for further information on the longevity swap).

## 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.

#### What are the pension Scheme assets?

At 31 December 2015 the Scheme's assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The tables below set out the major categories of assets.

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 net pension deficit. These financial instruments are classified as Scheme assets.

One such instrument is the longevity swap which the Scheme transacted in 2011 to obtain protection against the effect of increases in the life expectancy 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 had a nil valuation at inception and, using market-based assumptions, is subsequently adjusted for changes in the market life expectancy and market discount rates.

#### How do we measure the pension Scheme assets?

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:

	2015 £m	2014 £m
<b>Fair value of Scheme assets at 1 January</b>	<b>3,341</b>	2,870
Interest income on Scheme assets	116	128
(Loss) / return on assets, excluding interest income	(126)	390
Employer contributions	102	103
Benefits paid	(158)	(145)
Administrative expenses paid	(5)	(5)
<b>Fair value of Scheme assets at 31 December</b>	<b>3,270</b>	3,341

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 2015 was a decrease of £10 million (2014: increase of £518 million).

# Notes to the Financial Statements

## Section 3: Operating Assets and Liabilities continued

### How are the Scheme's assets invested?

At 31 December 2015 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 2015 £m	Market value 2014 £m
Quoted equities	651	654
Quoted bonds*	2,219	2,329
<b>Total quoted assets</b>	<b>2,870</b>	<b>2,983</b>
Property	55	51
Infrastructure	68	77
Hedge funds/alternatives	196	183
Insurance policies	40	42
Cash and cash equivalents	86	50
Other	20	22
Longevity swap fair value	(65)	(67)
<b>Total unquoted assets</b>	<b>400</b>	<b>358</b>
<b>Total Scheme assets</b>	<b>3,270</b>	<b>3,341</b>

\* Quoted bonds include interest rate and inflation swaps.

Included in the above are overseas assets of £1,198 million (2014: £1,218 million), comprised of equities of £564 million (2014: £569 million) and bonds of £634 million (2014: £649 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.

#### Keeping it simple



#### What was the impact of movements on the Scheme's assets and liabilities?

The sections above describe how the Scheme obligations and assets are comprised and measured. The following section sets out the impact of various movements and expenses on the Scheme on the Group's financial statement.

### Amounts recognised through the income statement

Amounts recognised through the income statement are as follows:

	2015 £m	2014 £m
Amount charged to operating costs:		
Current service cost	(8)	(7)
Scheme administration expenses	(5)	(5)
	(13)	(12)
Amount charged to net financing costs:		
Net interest on defined benefit obligation	(10)	(16)
<b>Total charged in the consolidated income statement</b>	<b>(23)</b>	<b>(28)</b>



**Amounts recognised through the consolidated statement of comprehensive income**

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

	2015 £m	2014 £m
Remeasurement gains and (losses):		
(Loss) / Return on scheme assets excluding interest income	(126)	390
Actuarial gains / (losses) on liabilities arising from change in:		
– inflation experience	48	–
– financial assumptions	169	(402)
– updated valuation data	–	36
	<b>217</b>	<b>(366)</b>
Total recognised in the consolidated statement of comprehensive income	<b>91</b>	<b>24</b>

The £217 million actuarial gain on the Scheme's liabilities was principally due to an increase in bond yields over the year, which has resulted in a decrease in the liabilities. The £126 million loss on the Scheme's assets primarily results from decreases in the market values of gilts and swaps, which has led to assets underperforming 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, which specifies the contribution rates for the employer and scheme members and the date these contributions are due. A recovery plan setting out the steps that will 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 2016 for current service are expected to be in the region of £12 million (2015: £11 million) and deficit funding contributions in 2016 are expected to be £66 million (2015: £76 million), assuming current contribution rates continue as agreed with the Trustee.

Under the SDN pension partnership, set up in 2010, the Group has agreed to make payments of £11 million for 12 years from 2011. The LTVC partnership, established in March 2014, commits the Group to an annual payment of £2 million in 2016, increasing by 5% per annum until 2038.

IFRIC 14 clarifies how the asset ceiling should be applied, in particular, how local minimum funding rules work. The Group has determined that it has an unconditional right to a refund of surplus assets if the Schemes are run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosures before tax.

# Notes to the 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 issuance of a new Eurobond 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.

A Tax and Treasury committee acting under delegated authority from the Board, approves certain financial transactions and monitors compliance with the Group's tax and treasury policies.

### 4.1 Net cash/ (debt)

### Keeping it simple



Net cash / (debt) 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 undiscounted 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.

The tables below analyse movements in the components of net cash during the year:

	1 January 2015 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	31 December 2015 £m
Cash	234	3	1	<b>238</b>
Cash equivalents	63	(6)	(1)	<b>56</b>
<b>Total cash and cash equivalents</b>	<b>297</b>	<b>(3)</b>	<b>-</b>	<b>294</b>
Loans and facilities due within one year	(78)	73	-	<b>(5)</b>
Finance leases due within one year	(7)	7	(6)	<b>(6)</b>
Loans and facilities due after one year	(161)	(433)	(4)	<b>(598)</b>
Finance leases due after one year	(10)	-	6	<b>(4)</b>
<b>Total debt</b>	<b>(256)</b>	<b>(353)</b>	<b>(4)</b>	<b>(613)</b>
<b>Net cash / (debt)</b>	<b>41</b>	<b>(356)</b>	<b>(4)</b>	<b>(319)</b>

	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
<b>Total cash and cash equivalents</b>	<b>518</b>	<b>(216)</b>	<b>(5)</b>	<b>297</b>
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)
<b>Total debt</b>	<b>(380)</b>	<b>124</b>	<b>–</b>	<b>(256)</b>
Currency component of swaps held against euro denominated bonds	26	(26)	–	–
<b>Net cash</b>	<b>164</b>	<b>(118)</b>	<b>(5)</b>	<b>41</b>

#### Cash and cash equivalents

Included within cash equivalents is £10 million (2014: £16 million), the use of which is restricted to meeting finance lease commitments under programme sale and leasebacks (see note 4.2), and gilts of £38 million (2014: £39 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.

#### Loans and facilities due within one year

In October 2015 the unsecured £78 million Eurobond matured, resulting in a net payment by the Group of £76 million, after settlement of the Group's related outstanding interest rate swaps.

At various periods during the year the Group drew down on the Revolving Credit Facility ('RCF') to meet short-term funding requirements. All short-term drawings were repaid by the end of the year. The maximum draw down of the RCF during the year was €500 million (£362 million) in April to fund the acquisition of Talpa Media. The maximum draw down on the RCF during 2014 was £321 million to fund the 2014 acquisitions.

#### Loans and loan notes due after one year

In September 2015 the Group issued a seven year €600 million Eurobond at a fixed coupon of 2.125% which will mature in September 2022. The bond refinanced the 12 month bridge loan facility of €500 million that was used to repay the RCF, which initially funded the purchase of Talpa Media in April.

The Group also has an unsecured £161 million Eurobond which matures in January 2017 and has a coupon of 6.125%.

# Notes to the 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. The fair value is the amount the Group would pay a third party 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 4.5.

#### 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 longer than 12 months require the 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.

### 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 with a minimum of £250 million of undrawn facilities available at all times.

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.

The Group has available funds through a Revolving Credit Facility ('RCF') with a group of relationship banks. This £525 million facility is committed with leverage and interest cover financial covenants and matures in 2019. In addition, the Group has £250 million of financial covenant free financing which runs for three to seven years. All of these facilities were undrawn at 31 December 2015 (2014: no drawings).

### Fair value versus book value

The tables below provide fair value information for the Group's borrowings:

	Maturity	Book value		Fair value	
		2015 £m	2014 £m	2015 £m	2014 £m
<b>Loans due within one year</b>					
Other short-term loans	Various	5	–	5	–
<b>Loans due in more than one year</b>					
£161 million Eurobond	Jan 2017	161	161	168	173
€600 million Eurobond	Sept 2022	437	–	445	–
<b>Loans settled or matured in the period</b>					
£78 million Eurobond	Oct 2015	–	78	–	81
		603	239	618	254

### Finance leases

The following table analyses when finance lease liabilities are due for payment:

	Minimum lease payments £m	Interest £m	2015 Principal £m	Minimum lease payments £m	Interest £m	2014 Principal £m
In one year or less	6	–	6	8	1	7
In more than one year but not more than five years	4	–	4	10	–	10
	10	–	10	18	1	17

Finance leases principally comprise programmes under sale and leaseback arrangements. The net book value of tangible assets held under finance leases at 31 December 2015 was £1 million (2014: £1 million).



# Notes to the Financial Statements

## Section 4: Capital Structure and Financing Costs continued

### 4.3 Managing market risks: derivative financial instruments

#### Keeping it simple



#### What is a derivative?

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 exposure in an underlying variable.

The Group is exposed to certain market risks. In accordance with Board approved policies, which are set out in this note, the Group manages these risks by using derivative financial instruments to hedge the underlying exposures.

#### Why do we need them?

The key market risks facing the Group are:

- Currency risk arising from:
  - i. translation risk, that is, the risk in the period 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 ('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 non-functional currency trading cash flows. A non-functional currency transaction is a transaction in any currency other than the reporting currency of the subsidiary.
- Interest rate risk to the Group arises from significant changes in interest rates on borrowings issued at or swapped to floating rates.

#### How do we use them?

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, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of a cash flow hedge is recognised in other comprehensive income 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.

### Determining Fair Value

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.

### How do we manage our 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 non-functional currency denominated costs or revenue at the time of commitment for up to five years forward. The Group also hedges a proportion of highly probable non-functional currency denominated costs or revenue on a rolling 18 month basis (see 'Keeping it simple box' for explanation of non-functional currency transactions).

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 2015 the Group designated a portion of its euro borrowings into a net investment hedge against its euro denominated assets following the acquisition of Talpa Media.

The following table highlights the Group's sensitivity to translation risk resulting from a 10% strengthening/weakening in sterling against the US dollar and euro, assuming all other variables are held constant:

	2015 – post-tax profit	2015 – equity	2014 – post-tax profit	2014 – equity
US dollar	£10 million	£63 million	£8 million	£34 million
Euro	£8 million	£41 million	£8 million	£29 million

#### Interest rate risk

The Group's interest rate policy is to allow fixed rate gross debt to vary between 20% and 100% of total gross debt to accommodate floating rate borrowings under the revolving credit facility.

At 31 December 2015 the Group's fixed rate debt represented 99% of total gross debt (2014: 100%). Consequently a 1% movement in interest rates on negligible floating variable rate debt would not impact the post-tax profit for the year.

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.

# Notes to the Financial Statements

## Section 4: Capital Structure and Financing Costs continued

### What is the value of our 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.

At 31 December 2015	Assets £m	Liabilities £m
<b>Current</b>		
Cash flow hedges	–	(4)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	(1)
Interest rate swaps – fair value through profit or loss	–	–
<b>Non-current</b>		
Interest rate swaps – fair value through profit or loss	8	(6)
	<b>9</b>	<b>(11)</b>

At 31 December 2014	Assets £m	Liabilities £m
<b>Current</b>		
Cash flow hedges	–	(3)
Interest rate swaps – fair value through profit or loss	11	(9)
<b>Non-current</b>		
Cash flow hedges	–	(1)
Interest rate swaps – fair value through profit or loss	16	(11)
	<b>27</b>	<b>(24)</b>

### Interest rate swaps

On issuing the 2017 Eurobond, 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 was 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.

### Cash flow hedges

The Group applies hedge accounting for certain foreign currency firm commitments and highly probably cash flows where the underlying cash flows are payable within the next two years. In order to fix the sterling cash outflows associated with the commitments – which are mainly 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 other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2014: £nil) ineffectiveness taken to the income statement and £6 million cumulative loss (2014: £nil) recycled to the income statement in the year.

### Net investment hedges

The Group uses euro denominated debt to partially hedge against the change in the sterling value of its euro denominated net assets due to movements in foreign exchange rates. The fair value of debt in a net investment hedge was £141 million (2014: £nil). A foreign exchange loss of £2 million (2014: £nil) relating to the net investment hedges has been netted off within exchange differences on translation of foreign operations as presented on the consolidated statement of comprehensive income.

## 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 2015	Carrying value £m	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
<b>Non-derivative financial liabilities</b>						
Borrowings	(613)	(703)	(30)	(184)	(28)	(461)
Trade and other payables	(834)	(834)	(786)	(34)	(14)	-
Other payables – non-current	(4)	(4)	-	(1)	(2)	(1)
Other payables – commitments on acquisitions	(85)	(303)	(12)	(108)	(183)	-
<b>Derivative financial instruments</b>						
Cash flow hedges						
Inflow	66	66	49	17	-	-
Outflow	(70)	(70)	(53)	(17)	-	-
Foreign exchange forward contracts and swaps						
Inflow	147	147	144	3	-	-
Outflow	(147)	(147)	(144)	(3)	-	-
Interest rate swaps						
Inflow	8	22	9	13	-	-
Outflow	(6)	(12)	(6)	(6)	-	-
	<b>(1,538)</b>	<b>(1,838)</b>	<b>(829)</b>	<b>(320)</b>	<b>(227)</b>	<b>(462)</b>

At 31 December 2014	Carrying value £m	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
<b>Non-derivative financial liabilities</b>						
Borrowings	(256)	(357)	(100)	(16)	(175)	(66)
Trade and other payables	(726)	(726)	(699)	(23)	(4)	-
Other payables – non-current	(4)	(4)	-	(3)	(1)	-
Other payables – commitments on acquisitions	(34)	(96)	-	(9)	(81)	(6)
<b>Derivative financial instruments</b>						
Cash flow hedges						
Inflow	88	88	52	36	-	-
Outflow	(92)	(92)	(54)	(38)	-	-
Foreign exchange forward contracts and swaps						
Inflow	19	19	17	2	-	-
Outflow	(19)	(19)	(17)	(2)	-	-
Interest rate swaps						
Inflow	26	47	26	8	13	-
Outflow	(19)	(27)	(16)	(5)	(6)	-
	<b>(1,017)</b>	<b>(1,167)</b>	<b>(791)</b>	<b>(50)</b>	<b>(254)</b>	<b>(72)</b>

# Notes to the Financial Statements

## Section 4: Capital Structure and Financing Costs continued

### 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 unrealised 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.

Our rationale for adjustments made to financing costs is set out 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:

	2015 £m	2014 £m
<b>Financing income:</b>		
Interest income	3	4
Change in fair value of instruments classified at fair value through profit or loss	3	-
Foreign exchange gain	-	1
Other finance income	-	17
	<b>6</b>	<b>22</b>
<b>Financing costs:</b>		
Interest expense on financial liabilities measured at amortised cost	(17)	(19)
Net pension interest (see note 3.7)	(10)	(17)
Losses on early settlement	-	(30)
Foreign exchange loss	(2)	-
Other finance expense	(8)	(7)
	<b>(37)</b>	<b>(73)</b>
Net financing costs	<b>(31)</b>	<b>(51)</b>

Interest on financial liabilities relates to the interest incurred on the Group's borrowings in the year.

The losses on early settlement in the prior year of £30 million were incurred as a result of the repurchase of the remaining £62 million 2019 bilateral loan.

Other finance income in the prior year primarily relates to acquisition-related contingent liabilities. This is where estimates of the future performance against stretch targets is reassessed, resulting in adjustments to the related put option liabilities. Other finance expense includes the amortisation of facility commitment and upfront fees.



## 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.

#### 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.

The tables below set out the financial instruments included on the ITV statement of financial position at 'fair value'.

	Fair value 31 December 2015 £m	Level 1 31 December 2015 £m	Level 2 31 December 2015 £m	Level 3 31 December 2015 £m
<b>Assets measured at fair value</b>				
Available for sale financial instruments				
Available for sale gilts (see note 4.1)	38	38	–	–
Available for sale investments (see note 3.5)	11	–	–	11
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	1	–	1	–
Interest rate swaps	8	–	8	–
	58	38	9	11

	Fair value 31 December 2015 £m	Level 1 31 December 2015 £m	Level 2 31 December 2015 £m	Level 3 31 December 2015 £m
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
Contingent consideration	(3)	–	–	(3)
Foreign exchange forward contracts and swaps	(1)	–	(1)	–
Interest rate swaps	(6)	–	(6)	–
Financial liabilities at fair value through reserves				
Cash flow hedges	(4)	–	(4)	–
	(14)	–	(11)	(3)

# Notes to the Financial Statements

## Section 4: Capital Structure and Financing Costs continued

	Fair value 31 December 2014 £m	Level 1 31 December 2014 £m	Level 2 31 December 2014 £m	Level 3 31 December 2014 £m
<b>Assets measured at fair value</b>				
Available for sale financial instruments				
Available for sale gilts (see note 4.1)	39	39	–	–
Financial assets at fair value through profit or loss				
Contingent consideration	32	–	–	32
Interest rate swaps	27	–	27	–
	98	39	27	32
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
Contingent consideration	(3)	–	–	(3)
Interest rate swaps	(20)	–	(20)	–
Financial liabilities at fair value through reserves				
Cash flow hedges	(4)	–	(4)	–
	(27)	–	(24)	(3)

Refer to note 4.3 for how we value interest rate swaps and forward foreign currency contracts.

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 2015 £m	Liability 2015 £m	Asset 2014 £m	Liability 2014 £m
At 1 January	32	(3)	–	(7)
Acquisitions (see note 3.4)	–	–	30	(1)
Changes in non-controlling interests	(32)	–	–	–
Changes in estimates (income statement)	–	–	–	5
Currency translation	–	–	2	–
<b>At 31 December</b>	–	(3)	32	(3)
Current	–	(2)	–	–
Non-current	–	(1)	32	(3)
<b>At 31 December</b>	–	(3)	32	(3)

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 2015 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 2015 of £403 million (2014: £403 million) and share premium of £174 million (2014: £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.

#### 4.6.2 Merger and other reserves

Merger and other reserves at 31 December 2015 include the following reserves:

	2015 £m	2014 £m
Merger reserves	98	119
Capital reserves	112	112
Capital redemption reserves	36	36
Revaluation reserves	2	6
Put option liabilities arising on acquisition of new subsidiaries	(27)	(45)
<b>Total</b>	<b>221</b>	<b>228</b>

The movement in the merger reserve and put option is in relation to the acquisition of the remaining non-controlling interest of Leftfield Entertainment.

#### 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 and
- 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 £495 million (2014: £466 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 4.1p per share and a special dividend of 10.0p per share. See details on page 163.

# Notes to the Financial Statements

## Section 4: Capital Structure and Financing Costs continued

### 4.6.6 Non-controlling interests

The movement for the year comprises:

- the fair value of the non-controlling interest acquired in the year of £19 million relates to the acquisition of the remaining 20% in Leftfield Entertainment (2014: £20 million);
- the share of profits attributable to non-controlling interests of £7 million (2014: £7million); and
- the distributions made to non-controlling interests of £5 million (2014: £8 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 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.

#### 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 (SAYE), 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. The estimate is then used to determine the option fair value, discounted to present value. The Group revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, are recognised 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 2015 (2014: £14 million).

### Share options outstanding

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)	2015 Weighted average exercise price (pence)	Number of options ('000)	2014 Weighted average exercise price (pence)
Outstanding at 1 January	51,933	32.97	67,676	14.52
Granted during the year – nil priced	6,744	–	8,594	–
Granted during the year – other	4,615	198.94	5,999	162.86
Forfeited during the year	(30)	143.65	(1,381)	28.67
Exercised during the year	(19,477)	16.65	(27,860)	9.02
Expired during the year	(3,618)	18.77	(1,095)	12.94
Outstanding at 31 December	40,167	55.63	51,933	32.97
Exercisable at 31 December	610	53.17	1,129	14.47

The average share price during 2015 was 254.24 pence (2014: 198.01 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)	2015 Weighted average remaining contractual life (years)	Weighted average exercise price (pence)	Number of options ('000)	2014 Weighted average remaining contractual life (years)
Nil	–	25,910	1.79	–	36,522	1.75
20.00 – 49.99	–	–	–	35.61	1,120	0.53
50.00 – 69.99	67.24	991	0.98	67.37	5,123	1.11
70.00 – 99.99	73.58	301	0.92	73.58	303	1.90
100.00 – 109.99	102.59	1,672	1.14	102.59	1,733	2.16
110.00 – 119.99	–	–	–	–	–	–
120.00 – 149.99	131.44	1,175	1.52	131.44	1,251	2.52
150.00 – 199.99	172.58	8,089	2.22	–	–	–
200.00 – 249.99	206.83	2,054	2.52	163.72	5,881	2.80

### 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	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
3 Year	2 April 2015	251.00	192.52	26.00	3.25	2.27	0.74	65.85
5 Year	2 April 2015	251.00	192.52	32.00	5.25	2.27	1.14	80.81
3 Year	16 Sept 2015	249.60	206.83	25.00	3.25	2.28	0.97	55.71
5 Year	16 Sept 2015	249.60	206.83	30.00	5.25	2.28	1.38	72.02



# Notes to the Financial Statements

## Section 5: Other Notes

### 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 2015 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 2015		
DSA releases		22,482,747	2,248,275
PSP releases		(2,589,150)	
SAYE releases		(5,580,025)	
SAYE releases		(5,313,414)	
Shares purchased		7,949,693	
	<b>31 December 2015</b>	<b>16,949,851</b>	<b>1,694,985</b>

The total number of shares held by the EBT at 31 December 2015 represents 0.42% (2014: 0.56%) of ITV's issued share capital. The market value of own shares held at 31 December 2015 is £47 million (2014: £48 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.

### 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.

### Transactions with joint ventures and associated undertakings

Transactions with joint ventures and associated undertakings during the year were:

	2015 £m	2014 £m
Sales to joint ventures	9	7
Sales to associated undertakings	13	10
Purchases from joint ventures	24	26
Purchases from associated undertakings	65	59

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:

	2015 £m	2014 £m
Amounts owed by joint ventures	3	–
Amounts owed by associated undertakings	66	48
Amounts owed to joint ventures	2	–
Amounts owed to associated undertakings	5	5
Amounts owed by pension scheme	–	1

Balances owed by associated undertakings largely relate to production funding advanced to Tomorrow ITV Studios.

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:

	2015 £m	2014 £m
Short-term employee benefits	9	9
Share-based compensation	6	5
	15	14

## 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.

## 5.3 Subsequent events

### Keeping it simple



Where the Group receives information in the period between 31 December 2015 and the date of this report about conditions related to certain events that existed at 31 December 2015, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December 2015. If non-adjusting events are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

On 19 October 2015 the Group announced that it had agreed to acquire 100% of the share capital of UTV Limited for a total cash consideration of £100 million, subject to regulatory and UTV Media plc shareholder approval. Final approvals were obtained by 18 February 2016 and the acquisition completed on 29 February 2016. The transaction was financed through existing cash and debt facilities.

# Notes to the Financial Statements

## Section 5: Other Notes continued

### 5.4 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 2015. This exemption is taken in accordance with Companies Act s479A.

Company Number	Company Name
01891539	Broad Street Films Limited
02285229	Campania Limited
5078683	Carbon Media Limited
4159249	Carlton Content Holdings Limited
1692483	Carlton Finance Limited
03984490	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
00290076	Granada Group Limited
3962410	Granada Limited
03106798	Granada Media Limited
05344772	Granada Screen (2005) Limited
00733063	Granada Television Overseas Limited
01127149	ITV Breathless Limited
04209918	ITV Cilla Limited
06914987	ITV (HC) Limited
08534385	ITV Lucan Limited
03916436	ITV News Channel Limited
09499040	ITV Tennison Limited
05518785	Juice Music UK Limited
04201477	Morning TV Limited

# ITV plc Company Financial Statements

## Company Balance Sheet

As at 31 December	Note	2015 £m	2015 £m	Restated* 2014 £m	Restated* 2014 £m
<b>Non-current assets</b>					
Investments in subsidiary undertakings	iii		1,861		1,705
Derivative financial instruments			9		17
Deferred tax asset			2		2
			1,872		1,724
<b>Current assets</b>					
Amounts owed by subsidiary undertakings		3,864		1,441	
Derivative financial instruments		6		14	
Other receivables		16		20	
Cash and cash equivalents		126		145	
		4,012		1,620	
<b>Current liabilities</b>					
Borrowings	v	-		(78)	
Amounts owed to subsidiary undertakings		(3,760)		(1,795)	
Accruals and deferred income		(21)		(19)	
Derivative financial instruments		(6)		(12)	
		(3,787)		(1,904)	
<b>Net current assets/(liabilities)</b>			225		(284)
<b>Total assets less current liabilities</b>			2,097		1,440
<b>Non-current liabilities</b>					
Borrowings	v	(598)		(161)	
Derivative financial instruments		(6)		(12)	
		(604)			(173)
<b>Net assets</b>			1,493		1,267
<b>Capital and reserves</b>					
Share capital	vi		403		403
Share premium	vii		174		174
Other reserves	vii		36		36
Retained earnings	vii		880		654
<b>Total equity</b>			1,493		1,267

\* 2014 has been restated as part of the transition to FRS 101. See note xii.

The accounts were approved by the Board of Directors on 2 March 2016 and were signed on its behalf by:

**Ian Griffiths**

Director

# ITV plc Company Financial Statements

## continued

### Company Statement of Changes in Equity

	Note	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2015		403	174	36	654	1,267
<b>Total comprehensive income for the year</b>						
Profit		-	-	-	671	671
<b>Total comprehensive income for the year</b>		-	-	-	<b>671</b>	<b>671</b>
<b>Transactions with owners recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Equity dividends		-	-	-	(459)	(459)
Movements due to share based compensation		-	-	-	14	14
Total contributions by and distributions to owners		-	-	-	(445)	(445)
<b>Total transactions with owners</b>		-	-	-	(445)	(445)
<b>Balance at 31 December 2015</b>	vii / viii	<b>403</b>	<b>174</b>	<b>36</b>	<b>880</b>	<b>1,493</b>

	Note	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2014		403	174	36	995	1,608
Effect of changes to FRS 101		-	-	-	2	2
Restated balance at 1 January 2014		403	174	36	997	1,610
<b>Total comprehensive income for the year</b>						
Profit		-	-	-	(44)	(44)
<b>Total comprehensive income for the year</b>		-	-	-	<b>(44)</b>	<b>(44)</b>
<b>Transactions with owners recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Equity dividends		-	-	-	(313)	(313)
Movements due to share based compensation		-	-	-	14	14
Total contributions by and distributions to owners		-	-	-	(299)	(299)
<b>Total transactions with owners</b>		-	-	-	(299)	(299)
<b>Balance at 31 December 2014</b>	vii / viii	<b>403</b>	<b>174</b>	<b>36</b>	<b>654</b>	<b>1,267</b>



# Notes to the ITV plc Company Financial Statements



## Accounting policies

### Basis of preparation

The Company transitioned from old UK GAAP to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) for all periods presented. The Company's transition date is 1 January 2014. This is the first year adoption of FRS101. There were no material amendments on the adoption of FRS101. See note xi for further information.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The Company is a qualifying entity as it is a member of the ITV plc Group where ITV plc, the ultimate parent prepares publicly available consolidated financial statements.

### Exemptions Applied

The Company is taking advantage of the following disclosure exemptions under FRS101.

- Presentation of a Statement of Cash Flows
- Disclosure of key management personnel compensation
- Disclosure of related party transactions between wholly-owned subsidiaries and parents within a group
- Disclosures required under IFRS 2 Share Based Payments in respect of group settled share based payments
- Disclosures required by IFRS 7 Financial Instrument: Disclosure
- Certain disclosures required under IFRS 13 Fair Value Measurement
- Disclosure of information in relation to new standards not yet applied

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

### 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. Annual 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.

# Notes to the ITV plc Company Financial Statements

## continued

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.

### Deferred tax

The tax charge for the period is recognised in the income statement or directly in equity according to the accounting treatment of the related transaction.

Deferred tax arises due to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for taxation purposes. 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 timing and level of future taxable income.

### Share-based compensation

The Company 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 Company receives services from employees and pays for these in shares or similar equity instruments. If the Company incurs a liability based on the price or value of the shares then this will also fall under a share-based transaction.

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 (SAYE), 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 performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Company revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, are recognised 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.

The weighted average share price of share options exercised during the year was 16.65p (2014: 9.02p). The options outstanding at the year end have an exercise price in the range of nil to 206.83p and a weighted average contractual life of 1 year (2014: 1 year).

### Dividends

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

### Employees

Two (2014: 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 on page 166. The balance at 31 December 2015 was £1,861 million (2014: £1,705 million).

During the year, the Company set up a subsidiary investment, ITV (Europe) Holdings BV for £146 million in exchange for 10 £1 ordinary shares. The Company also increased its investment in ITV Investments Limited by £5 million in exchange for 1 £1 ordinary share. The Company increased its investment in Carlton Communications Limited by £5 million in exchange for 1 £1 ordinary share.

iv

### Amounts owed (to)/from subsidiary undertakings

The Company 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

In October 2015 the unsecured £78 million Eurobond matured, resulting in a net payment by the company of £76 million, after settlement of the related outstanding interest rate swaps.

#### Loans repayable after more than one year

The unsecured £161 million Eurobond matures in January 2017 and has a coupon of 6.125%.

At various periods during the year the Company drew down on the Revolving Credit Facility ('RCF') to meet short-term funding requirements. All short-term drawings were repaid by the end of the year. The maximum draw down of the RCF during the year was €500 million (£362 million) in April to fund the acquisition of Talpa Media. The maximum draw down on the RCF during 2014 was £321 million to fund the 2014 acquisitions.

#### Loans repayable after more than one year

In September 2015 the Company issued a seven year €600 million Eurobond at a fixed coupon of 2.125% which will mature in September 2022. The bond refinanced the 12 month bridge loan facility of €500 million that was used to repay the RCF, which initially funded the purchase of Talpa Media in April.

vi

### Managing market risks: derivative financial instruments

#### What is the value of our derivative financial instruments?

	Assets 2015	Liabilities 2015
<b>Current</b>		
Cash Flow Hedges	3	(4)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(2)
Interest Rate Swaps – fair value through profit or loss	–	–
<b>Non-current</b>		
Interest Rate Swaps – fair value through profit or loss	9	(6)
	<b>15</b>	<b>(12)</b>
	Assets 2014	Liabilities 2014
<b>Current</b>		
Cash Flow Hedges	2	(2)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	(1)
Interest Rate Swaps – fair value through profit or loss	11	(9)
<b>Non-current</b>		
Cash Flow Hedges	1	(1)
Interest Rate Swaps – fair value through profit or loss	16	(11)
	<b>31</b>	<b>(24)</b>

# Notes to the ITV plc Company Financial Statements

## continued

The Company 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.
- 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 interest rate for another and are used to manage interest rate risk.

### Interest rate swaps

On issuing the 2017 Eurobond, the Company 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 was 100% fixed on these borrowings. The timing of entering into these swaps locked in an interest benefit for the Company, resulting in a net mark-to-market gain on the portfolio.

### Cash flow hedges

The Company applies hedge accounting for certain foreign currency firm commitments and highly probably cash flows 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 mainly denominated in AUD or euros – the Company 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 other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2014: £nil) ineffectiveness taken to the income statement and £6 million cumulative loss (2014: £nil) recycled to the income statement in the year.

### Undiscounted financial liabilities

The Company is required to disclose the expected timings of cash outflows for each of its derivative financial liabilities. 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 2015	Carrying value £m	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
<b>Non-current and current</b>						
Cash flow hedges						
Inflow	3	136	102	34	–	–
Outflow	(4)	(136)	(102)	(34)	–	–
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	253	248	5	–	–
Outflow	(2)	(252)	(247)	(5)	–	–
Interest Rate Swaps – fair value through profit or loss						
Inflow	9	22	9	13	–	–
Outflow	(6)	(12)	(6)	(6)	–	–
	<b>3</b>	<b>11</b>	<b>4</b>	<b>7</b>	<b>–</b>	<b>–</b>

At 31 December 2014	Carrying value £m	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
<b>Non-current and current</b>						
<b>Cash Flow Hedges</b>						
Inflow	3	174	100	74	–	–
Outflow	(3)	(174)	(100)	(74)	–	–
<b>Foreign exchange forward contracts and swaps – fair value through profit or loss</b>						
Inflow	1	209	205	4	–	–
Outflow	(1)	(209)	(205)	(4)	–	–
<b>Interest Rate Swaps – fair value through profit or loss</b>						
Inflow	27	47	26	8	13	–
Outflow	(20)	(27)	(16)	(5)	(6)	–
	7	20	10	3	7	–

## Share capital

	Authorised 2015 & 2014 £m	Allotted, issued and fully paid 2015 & 2014 £m
Authorised ordinary shares of 10 pence each	8,000,000,000	800
Allotted, issued and fully paid ordinary shares of 10 pence each	4,025,409,194	403
Total		800

The Company's ordinary shares give shareholders equal rights to vote, receive dividends and to the repayment of capital.

## Equity

The retained earnings reserve includes profit after tax for the year of £671 million (2014: £44 million loss) which includes dividends of £700 million from subsidiaries in 2015 (2014: £nil). The retained earnings reserves of £880 million are all distributable.

The Directors of the Company propose a final dividend of 4.1p per share and a special dividend of 10.0p per share.

Other reserves of £36 million (2014: £36 million) relate to share-buy backs in prior periods.

## Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2015 of £59 million (31 December 2014: £58 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 Company'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.

## Capital and other commitments

There are no capital commitments at 31 December 2015 (2014: none).

vii

viii

ix

x

# Notes to the ITV plc Company Financial Statements

## continued

xi

### 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:

	2015 £m	2014 £m
Short-term employee benefits	3	3
Share-based compensation	3	2
	6	5

Total emoluments and gains on share options received by key management personnel in the year were:

	2015 £m	2014 £m
Emoluments	3	3
Gains on exercise of share options	3	2
Gains on release of restricted share awards	3	3
	9	8

xii

### Transition to FRS 101 Reduced Disclosure Framework

For all periods up to and including 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015, are the first the Company has prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). Accordingly the Company has prepared these financial statements to comply with FRS101 for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS101 and made those changes in accounting policies and other restatements required for the first-time adoption of FRS101. As such this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of IFRS 1 first time adoption of International Financial Reporting Standards.

Under FRS 101 deferred tax is recognised on temporary differences between the estimated future tax deductions for share-based compensation and the related cumulative share-based compensation expense. To the extent that the estimated future tax deductions exceed the cumulative expense, the excess deferred tax is recognised directly in equity.



## Company Balance Sheet

	As originally reported under UK GAAP at 1 January 2014 £m	FRS 101 £m	Restated at 1 January 2014 £m	As originally reported under UK GAAP at 31 December 2014 £m	FRS 101 £m	Restated at 31 December 2014 £m
<b>Non-current assets</b>						
Investments in subsidiary undertakings	1,648	–	1,648	1,705	–	1,705
Derivative financial instruments	41	–	41	17	–	17
Deferred tax asset	–	2	2	–	2	2
	1,689	2	1,691	1,722	2	1,724
<b>Current assets</b>						
Amounts owed by subsidiary undertakings	1,280	–	1,280	1,441	–	1,441
Derivative financial instruments	32	–	32	14	–	14
Other receivables	26	–	26	20	–	20
Cash at bank and cash equivalents	319	–	319	145	–	145
	1,657	–	1,657	1,620	–	1,620
<b>Current liabilities</b>						
Borrowings	(41)	–	(41)	(78)	–	(78)
Amounts owed to subsidiary undertakings	(1,342)	–	(1,342)	(1,795)	–	(1,795)
Accruals and deferred income	(22)	–	(22)	(19)	–	(19)
Derivative financial instruments	(5)	–	(5)	(12)	–	(12)
	(1,410)	–	(1,410)	(1,904)	–	(1,904)
<b>Net current assets/(liabilities)</b>	247	–	247	(284)	–	(284)
<b>Total assets less current liabilities</b>	1,936	2	1,938	1,438	2	1,440
<b>Non-current liabilities</b>						
Borrowings	(301)	–	(301)	(161)	–	(161)
Derivative financial instruments	(27)	–	(27)	(12)	–	(12)
	(328)	–	(328)	(173)	–	(173)
<b>Net assets</b>	1,608	2	1,610	1,265	2	1,267
<b>Capital and reserves</b>						
Share capital	403	–	403	403	–	403
Share premium	174	–	174	174	–	174
Other reserves	36	–	36	36	–	36
Retained earnings	995	2	997	652	2	654
<b>Total equity</b>	1,608	2	1,610	1,265	2	1,267

# Notes to the ITV plc Company Financial Statements

## continued

### Subsidiary undertakings and investments

#### Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 31 December 2015, all of which are wholly owned (directly or indirectly) and incorporated and registered where stated, are:

Name	Country of incorporation or establishment	Principal Activities	Interest	% Holding
Carlton Communications Limited <sup>(1)</sup>	United Kingdom	Holding Company	Ordinary, Redeemable Preference	100
ITV Broadcasting Limited	United Kingdom	Broadcast of television programmes	Ordinary	100
ITV Consumer Limited	United Kingdom	Development of platforms, broadband, transactional and mobile services	Ordinary	100
ITV Digital Channels Limited	United Kingdom	Operation of digital television channels	Ordinary	100
ITV Global Entertainment Limited	United Kingdom	Rights ownership and distribution of television programmes and films	Ordinary	100
ITV Network Limited	United Kingdom	Scheduling and commissioning of television programmes	Guarantee	100
ITV Rights Limited	United Kingdom	Rights ownership	Ordinary	100
ITV Services Limited	United Kingdom	Provision of services for other companies within the Group	Ordinary, Cumulative Preference	100
ITV Studios Limited	United Kingdom	Production of television programmes	Ordinary	100
ITV2 Limited	United Kingdom	Operation of digital television channels	Ordinary	100
SDN Limited	United Kingdom	Operation of Freeview Multiplex A	Ordinary	100
Talpa Media B.V.	Netherlands	Production of television programmes	Ordinary	100
ITV Studios, Inc.	United States	Production of television programmes	Common	100
Leftfield Entertainment, LLC	United States	Production of television programmes	Membership	100

#### Subsidiary undertakings

Name	Country of incorporation or establishment	Interest	% Holding
12 Yard (North) Productions Limited	United Kingdom	Ordinary	100
12 Yard Limited	United Kingdom	Ordinary	100
12 Yard Productions (Investments) Limited	United Kingdom	Ordinary	100
12 Yard Productions Limited	United Kingdom	Ordinary	100
A.C.E. (1988) Limited	United Kingdom	Ordinary	100
Action Time Holdings	United Kingdom	Ordinary	100
Anglia Television (Music) Limited	United Kingdom	Ordinary	100
Anglia Television Entertainment	United Kingdom	Ordinary	100
Anglia Television Group	United Kingdom	Ordinary	100
Anglia Television Holdings	United Kingdom	Ordinary	100
Anglia Television Limited	United Kingdom	Ordinary	100
Big Talk Investments Limited	United Kingdom	Ordinary	100
Big Talk JL Limited	United Kingdom	Ordinary	100
Big Talk Pictures Limited	United Kingdom	Ordinary	100
Big Talk Productions Limited	United Kingdom	Ordinary	100
Broad Street Films Limited	United Kingdom	Ordinary	100
Campania Limited	United Kingdom	Ordinary, Cumulative Redeemable Preference	100
Carbon Media Limited	United Kingdom	Ordinary	100
Carlton Active Limited	United Kingdom	Ordinary	100
Carlton Broadcasting Holdings	United Kingdom	Ordinary	100
Carlton Broadcasting Limited	United Kingdom	Ordinary	100
Carlton Cinema Limited	United Kingdom	Ordinary	100
Carlton Content Holdings Limited	United Kingdom	Ordinary	100
Carlton Entertainment	United Kingdom	Ordinary	100
Carlton Film Distributors Limited	United Kingdom	Ordinary	100
Carlton Films Limited	United Kingdom	Ordinary	100
Carlton Finance Limited	United Kingdom	Ordinary	100
Carlton Food Network Limited	United Kingdom	Ordinary	100
Carlton Productions Limited	United Kingdom	Ordinary	100

Name	Country of incorporation or establishment	Interest	% Holding
Carlton Programmes Development Limited	United Kingdom	Ordinary	100
Carlton Screen Advertising (Holdings) Limited	United Kingdom	Ordinary	100
Carltonco 103	United Kingdom	Ordinary	100
Carltonco 99 Limited	United Kingdom	Ordinary	100
Carltonco Eighty-One Limited	United Kingdom	Ordinary, Deferred	100
Carltonco Fifty Limited	United Kingdom	Ordinary, Preference	100
Carltonco Forty Investments	United Kingdom	Ordinary	100
Carltonco Forty-Five Limited	United Kingdom	Ordinary	100
Carltonco Ninety-Six	United Kingdom	Ordinary, Cumulative Redeemable Preference	100
Carltonco Seventeen Limited	United Kingdom	Ordinary	100
Castlefield Properties Limited	United Kingdom	Ordinary	100
Cat's on the Roof Media Limited	United Kingdom	Ordinary	100
Central Productions Limited	United Kingdom	Ordinary	100
Central Television Limited	United Kingdom	Ordinary	100
Channel Television Holdings Limited	United Kingdom	Ordinary	100
Cosgrove Hall Films Limited	United Kingdom	Ordinary	100
DTV Limited	United Kingdom	Ordinary	100
Electronic Rentals Group	United Kingdom	Ordinary	100
EQ Pictures Limited	United Kingdom	Ordinary	100
Film Lab North Limited	United Kingdom	Ordinary	100
First Independent Films	United Kingdom	Ordinary	100
Genesis Film Productions Limited	United Kingdom	Ordinary	100
GIL Limited	United Kingdom	Ordinary	100
Granada AV Solutions Limited	United Kingdom	Ordinary	100
Granada Film	United Kingdom	Ordinary	100
Granada Film Productions Limited	United Kingdom	Ordinary	100
Granada Group Limited	United Kingdom	Ordinary, Convertible Preference	100
Granada Limited	United Kingdom	Ordinary	100
Granada Media Group Limited	United Kingdom	Ordinary	100

Name	Country of incorporation or establishment	Interest	% Holding
Granada Media Limited	United Kingdom	Ordinary, Part Preference	100
Granada Nominees Limited	United Kingdom	Ordinary	100
Granada Productions Limited	United Kingdom	Ordinary	100
Granada Properties	United Kingdom	Ordinary	100
Granada Screen (2005) Limited	United Kingdom	Ordinary	100
Granada Television International	United Kingdom	Ordinary	100
Granada Television Limited	United Kingdom	Ordinary	100
Granada Television Overseas Limited	United Kingdom	Ordinary	100
Granada Television Productions Limited	United Kingdom	Ordinary	100
Granada UK Rental and Retail Limited	United Kingdom	Ordinary, Cumulative Preference	100
Interactive Telephony Limited	United Kingdom	Ordinary	100
International Television Enterprises London Limited	United Kingdom	Ordinary, Redeemable Preference	100
ITC Distribution	United Kingdom	Ordinary	100
ITC Entertainment Group Limited	United Kingdom	Ordinary	100
ITC Entertainment Holdings Limited	United Kingdom	Ordinary	100
ITV (HC) Limited <sup>(1)</sup>	United Kingdom	Ordinary	100
ITV (Scotland) Limited	United Kingdom	Ordinary	100
ITV Beowulf Limited	United Kingdom	Ordinary	100
ITV Border Limited	United Kingdom	Ordinary	100
ITV Breakfast Broadcasting Limited	United Kingdom	Ordinary	100
ITV Breakfast Limited	United Kingdom	Ordinary	100
ITV Breathless Limited	United Kingdom	Ordinary	100
ITV Central Limited	United Kingdom	Ordinary	100
ITV Channels Limited	United Kingdom	Ordinary	100
ITV Cilla Limited	United Kingdom	Ordinary	100
ITV Cradle Limited	United Kingdom	Ordinary	100
ITV Digital Holdings Limited	United Kingdom	Ordinary	100
ITV Global Content Limited	United Kingdom	Ordinary	100
ITV Holdings Limited	United Kingdom	Ordinary	100
ITV Home Fires Limited	United Kingdom	Ordinary	100
ITV International Channels (Asia) Limited	United Kingdom	Ordinary	100
ITV Investments Limited <sup>(1)</sup>	United Kingdom	Ordinary	100
ITV J&H Limited	United Kingdom	Ordinary	100
ITV Jericho Limited	United Kingdom	Ordinary	100
ITV JR Limited	United Kingdom	Ordinary	100
ITV Lewis Limited	United Kingdom	Ordinary	100
ITV LTVC (Scotland) Limited	United Kingdom	Ordinary	100
ITV Lucan Limited	United Kingdom	Ordinary	100
ITV Meridian Limited	United Kingdom	Ordinary	100
ITV Moorside Limited	United Kingdom	Ordinary	100
ITV Mr Selfridge Limited	United Kingdom	Ordinary	100
ITV Newco 1 Limited <sup>(1)</sup>	United Kingdom	Ordinary	100
ITV News Channel Limited	United Kingdom	Ordinary, Preference	100
ITV NP Limited	United Kingdom	Ordinary	100
ITV Pension Scheme Limited	United Kingdom	Ordinary, Deferred	100
ITV Play Limited	United Kingdom	Ordinary	100
ITV Productions Limited	United Kingdom	Ordinary	100
ITV Properties (Developments) Limited	United Kingdom	Ordinary	100
ITV Shetland Limited	United Kingdom	Ordinary	100
ITV Spirit Limited	United Kingdom	Ordinary	100
ITV Sport Channel Limited	United Kingdom	Ordinary	100
ITV Studios (Israel) Limited	United Kingdom	Ordinary	100

Name	Country of incorporation or establishment	Interest	% Holding
ITV Supplementary Pension Scheme Limited	United Kingdom	Ordinary	100
ITV Tennis Limited	United Kingdom	Ordinary	100
ITV Text Santa Limited	United Kingdom	Ordinary	100
ITV TFG Holdings Limited	United Kingdom	Ordinary	100
ITV Thunderbirds Limited	United Kingdom	Ordinary	100
ITV Tut Limited	United Kingdom	Ordinary	100
ITV Ventures Limited	United Kingdom	Ordinary	100
ITV Wales & West Group Limited	United Kingdom	Ordinary	100
ITV Wales & West Limited	United Kingdom	Ordinary	100
ITV Worldwide Limited	United Kingdom	Ordinary	100
ITV3 Limited	United Kingdom	Ordinary	100
ITV4 Limited	United Kingdom	Ordinary	100
Juice Music UK Limited	United Kingdom	Ordinary	100
Leftfield (UK) Limited	United Kingdom	Ordinary	100
Link Electronics Limited	United Kingdom	Ordinary	100
London News Network	United Kingdom	Ordinary	100
London Weekend Television Limited	United Kingdom	Ordinary,	100
LWT (Holdings) Limited	United Kingdom	Ordinary, Special Deferred	100
LWT Productions Limited	United Kingdom	Ordinary	100
Mammoth Screen (AR) Limited	United Kingdom	Ordinary	100
Mammoth Screen (ATTWN) Limited	United Kingdom	Ordinary	100
Mammoth Screen (BOTD) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Bouquet) Limited	United Kingdom	Ordinary	100
Mammoth Screen (BW) Limited	United Kingdom	Ordinary	100
Mammoth Screen (End2) Limited	United Kingdom	Ordinary	100
Mammoth Screen (End3) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Falcon) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Monroe) Limited	United Kingdom	Ordinary	100
Mammoth Screen (NE) Limited	United Kingdom	Ordinary	100
Mammoth Screen (NI) Limited	United Kingdom	Ordinary	100
Mammoth Screen (PE) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Pol2) Limited	United Kingdom	Ordinary	100
Mammoth Screen (Poldark) Limited	United Kingdom	Ordinary	100
Mammoth Screen (QV) Limited	United Kingdom	Ordinary	100
Mammoth Screen (RM) Limited	United Kingdom	Ordinary	100
Mammoth Screen (WH) Limited	United Kingdom	Ordinary	100
Mammoth Screen Ltd	United Kingdom	Ordinary	100
Meridian Music Services Limited	United Kingdom	Ordinary	100
Millbank Studios	United Kingdom	Ordinary	100
Modern Love Films Limited	United Kingdom	Ordinary	100
Morning TV Limited	United Kingdom	Ordinary	100
Moving Picture Company Films Limited	United Kingdom	Ordinary	100
Music Services	United Kingdom	Ordinary	100
New Providence Productions Limited	United Kingdom	Ordinary	100
Partridge Films	United Kingdom	Ordinary	100
Partridge Holdings	United Kingdom	Ordinary	100
Partridge Productions	United Kingdom	Ordinary	100
Pickwick Packaging Limited	United Kingdom	Ordinary	100
Planet 24	United Kingdom	Ordinary	100
Planet 24 Productions Limited	United Kingdom	Ordinary	100
Planet Wild Productions Limited	United Kingdom	Ordinary	100

# Notes to the ITV plc Company Financial Statements

## continued

Name	Country of incorporation or establishment	Interest	% Holding
Pro-Vision Facilities Limited	United Kingdom	Ordinary	100
Rainbow Music Publishing Limited	United Kingdom	Ordinary	100
So Television Developments Limited	United Kingdom	Ordinary	100
So Television Limited	United Kingdom	Ordinary	100
SelecTV Cable	United Kingdom	Ordinary	100
Sightseers Film Limited	United Kingdom	Ordinary	100
Signpost Limited	United Kingdom	Ordinary	100
SOM (ITV) Limited	United Kingdom	Ordinary	100
Survival Anglia	United Kingdom	Ordinary	100
Television Music Limited	United Kingdom	Ordinary	100
The CITV Channel Limited	United Kingdom	Ordinary	100
The Garden Productions Limited	United Kingdom	Ordinary	100
The London Studios Limited	United Kingdom	Ordinary	100
VOD Member (ITV A) Limited	United Kingdom	Ordinary	100
VOD Member (ITV B) Limited	United Kingdom	Ordinary	100
Tyne Tees Television Holdings	United Kingdom	Ordinary	100
Tyne Tees Television Limited	United Kingdom	Ordinary, Deferred	100
United Broadcasting & Entertainment Limited	United Kingdom	Ordinary	100
United Broadcasting	United Kingdom	Ordinary, Special	100
United Broadcasting Holdings	United Kingdom	Ordinary	100
United Broadcasting South	United Kingdom	Ordinary	100
Westcountry Television Limited	United Kingdom	Ordinary	100
Wildlife Film Productions	United Kingdom	Ordinary	100
Yorkshire Television Limited	United Kingdom	Ordinary, Deferred	100
Yorkshire-Tyne Tees Productions Limited	United Kingdom	Ordinary	100
Yorkshire-Tyne Tees Television Enterprises Limited	United Kingdom	Ordinary	100
Yorkshire-Tyne Tees Television Holdings	United Kingdom	Ordinary	100
Z Music Publishing Limited	United Kingdom	Ordinary	100
Zebedee Productions Limited	United Kingdom	Ordinary	100
Artist Services Cable Pty Ltd	Australia	Ordinary	100
Artist Services Investments Pty Limited	Australia	Ordinary	100
Artist Services Productions Pty Ltd	Australia	Ordinary	100
Granada Media International (Australia) Pty Ltd	Australia	Ordinary	100
Granada Media Investments (Australia) Pty Ltd	Australia	Ordinary	100
Granada Productions Pty Ltd	Australia	Ordinary	100
ITV Studios Australia Factual Pty Limited	Australia	Ordinary	100
ITV Studios Australia Pty Limited	Australia	Ordinary	100
Leftfield Australia Pty Ltd.	Australia	Ordinary	100
Totally Full Frontal Productions Pty Limited	Australia	Ordinary	100
Granada December Eight Limited	Cayman Islands	Ordinary	100
Granada December Nine Limited	Cayman Islands	Ordinary, Preference	100
ITV Holdings (Cayman) Limited	Cayman Islands	Ordinary	100
United Production ApS	Denmark	Ordinary	100
ITV Studios Finland Oy	Finland	Ordinary	100
ITV Studios, France SAS	France	Ordinary	100
ITV Studios Germany GmbH	Germany	Ordinary	100
ITV Studios Germany Holdings GmbH	Germany	Ordinary	100
Newtopia GmbH	Germany	Ordinary	100

Name	Country of incorporation or establishment	Interest	% Holding
New Waves Entertainment GmbH	Germany	Ordinary	100
Talpa Germany GmbH & Co KG	Germany	Ordinary	100
Talpa Germany Verwaltungs GmbH	Germany	Ordinary	100
Elecrent Insurance Limited	Guernsey	Ordinary	100
ITV Global Entertainment (Hong Kong) Limited	Hong Kong	Ordinary	100
Talpa China Limited	Hong Kong	Ordinary	100
Carlton Home Entertainment Ireland Limited	Ireland	Ordinary	100
Channel Television Limited	Jersey	Ordinary	100
Creative Channel Limited	Jersey	Ordinary	100
ITV London Properties Limited	Jersey	Ordinary	100
ITV Properties (Jersey) Limited	Jersey	Ordinary	100
ITV (Europe) Holdings B.V. <sup>(1)</sup>	Netherlands	Ordinary	100
ITV Enterprises B.V.	Netherlands	Ordinary	100
ITV Finance (Europe) B.V.	Netherlands	Ordinary	100
Global Music & Talent Agency B.V.	Netherlands	Ordinary	100
Masmedia B.V.	Netherlands	Ordinary	100
Talpa Content B.V.	Netherlands	Ordinary	100
Talpa Fictie Limited	Netherlands	Ordinary	100
Talpa Germany Holding B.V.	Netherlands	Ordinary	100
Talpa Global B.V.	Netherlands	Ordinary	100
Talpa Non-Spot B.V.	Netherlands	Ordinary	100
Talpa Producties B.V.	Netherlands	Ordinary	100
Utopia B.V.	Netherlands	Ordinary	100
Wardour Street Films B.V.	Netherlands	Ordinary	100
ITV Studios Nordic AB	Sweden	Ordinary	100
ITV Studios Norway AS	Norway	Ordinary	100
12 Yard Holdings, Inc.	United States	Common	100
Anglia Television, Inc.	United States	Common	100
Astrum Productions, Inc.	United States	Common	100
Cardinal Productions of Ohio, Inc.	United States	Common	100
Carlton Media Company, Inc.	United States	Common	100
Electric Farm Entertainment Holdings, Inc.	United States	Common	100
Granada America, Inc.	United States	Common	100
Granada Cracker US Productions	United States	Common	100
Granada Television International, Inc.	United States	Common	100
Hamdon Entertainment, Inc.	United States	Common	100
ITC Distribution, LLC.	United States	Common	100
ITC Entertainment Group, Inc.	United States	Common	100
ITC Films, LLC.	United States	Common	100
ITC Productions, LLC.	United States	Common	100
ITV Believe Holding, Inc.	United States	Common	100
ITV Diga Holding, Inc.	United States	Common	100
ITV Global Entertainment, Inc.	United States	Common	100
ITV Gurney Holding, Inc.	United States	Common	100
ITV HN Holding, Inc.	United States	Common	100
ITV International Corporation	United States	Common	100
ITV Leftfield Holding, Inc.	United States	Common	100
ITV Popco Holding, Inc.	United States	Common	100
ITV Thinkfactory Holding, Inc.	United States	Common	100
ITV Tomorrow Holding, Inc.	United States	Common	100
ITV US Holdings, Inc.	United States	Common	100
ITV US Productions, Inc.	United States	Common	100
JB Entertainment Holding Company, Inc.	United States	Common	100

Name	Country of incorporation or establishment	Interest	% Holding
Kirkstall Road Enterprises, Inc.	United States	Common	100
LWT Enterprises, Inc.	United States	Common	100
Over the Pond Productions, Inc.	United States	Common	100
Quay Street Enterprises, Inc.	United States	Common	100
Red Orange Productions, LLC.	United States	Common	100
So Television US, Inc.	United States	Ordinary	100
Talpa Media USA, Inc.	United States	Common	100
Upper Ground Enterprises, Inc.	United States	Ordinary	100
Zinna Productions	United States	Common	100

**Key:**

(1) Subsidiary directly owned by ITV plc

**Joint Ventures and Investments**

Name	Country	Interest	%
Absolutely Rights Limited	United Kingdom	Cumulative Redeemable Preference	20
That Mitchell and Webb Company Limited	United Kingdom	Ordinary C	20
DTV Services Limited	United Kingdom	Ordinary	20
Monumental Television Limited	United Kingdom	Ordinary A	24.92
Channel Mum Limited	United Kingdom	Ordinary A	25
Clearcast Limited	United Kingdom	Ordinary	25
ISAN UK Limited	United Kingdom	Ordinary	25
Thinkbox TV Limited	United Kingdom	Ordinary	28.58
Cirkus Limited	United Kingdom	Ordinary D	29.41
Malacara Limited	United Kingdom	Ordinary	36.75
Harlequin Agency Limited	United Kingdom	Ordinary	75
Media4Creative Limited	United Kingdom	Ordinary	35.32
Media4Enterprises Limited	United Kingdom	Ordinary	35.32
Pink Rose Bud Limited	United Kingdom	Ordinary A	37.5
Mainstreet Arlington Productions Limited	United Kingdom	Ordinary	38.25
Mainstreet Pictures Limited	United Kingdom	Ordinary A	38.25
Bait Studio Limited	United Kingdom	Ordinary	41.25
Cloth Cat Animation Limited	United Kingdom	Ordinary	41.25
Thud Media	United Kingdom	Ordinary	41.25
Bone Kickers Limited	United Kingdom	Ordinary	50
Box Clever Technology Limited	United Kingdom	Ordinary	50
British Film-Makers Limited	United Kingdom	Ordinary B	50
Columbia Tristar Carlton Productions Limited	United Kingdom	Ordinary B	50
Gameface Productions Limited	United Kingdom	Ordinary A	50
Noho Film and Television Limited	United Kingdom	Ordinary A	50
Standard Music Limited	United Kingdom	Ordinary	50
Talpa Media UK Ltd	United Kingdom	Ordinary A	50
Television Media Marketing Limited	United Kingdom	Ordinary A	50
Possessed Limited	United Kingdom	Ordinary B	51
OSF (Wales) Limited	United Kingdom	Ordinary	46.27
Oxford Scientific Films Limited	United Kingdom	Ordinary, Ordinary B	46.27
Adnoddau Zoom Cyf	United Kingdom	Ordinary	75
Boom Cymru TV Ltd	United Kingdom	Ordinary	75
Boom Pictures Limited	United Kingdom	Ordinary	75

Name	Country	Interest	%
TwoFour Group Holdings Limited	United Kingdom	Ordinary A, Ordinary B, Ordinary C, Ordinary D, Preferred A, Preferred B, Preferred C	75
Bulb Films Limited	United Kingdom	Ordinary	75
Calon/Boomerang JV Limited	United Kingdom	Ordinary	37.5
Cynhyrchiad au Al Fresco Productions Cyf	United Kingdom	Ordinary	75
Cynhyrchiadau Boomerang Cyf	United Kingdom	Ordinary	75
Double Double Limited	United Kingdom	Ordinary	75
Ffilmiau Apollo Cyf	United Kingdom	Ordinary	75
Fflic Cyf	United Kingdom	Ordinary	75
Gorilla TV Group Limited	United Kingdom	Ordinary	75
Gorilla TV Limited	United Kingdom	Ordinary	75
Indus Films Limited	United Kingdom	Ordinary	75
Teledu Apollo Cyf	United Kingdom	Ordinary	75
TwoFour Broadcast Limited	United Kingdom	Ordinary	75
TwoFour Group Limited	United Kingdom	Ordinary	75
Second Act Productions Limited	United Kingdom	Ordinary A	74.07
3sixtymedia Limited	United Kingdom	Ordinary A, Ordinary B	80
GC Films Pty Limited	Australia	Ordinary	49
Thinkfactory Productions Canada Ltd	Canada	Common	65
ITV Holdings (Cayman) Limited	Cayman Islands	Ordinary	66.67
Talpa Nordic ApS	Denmark	Ordinary	51
Imago TV Film und Fernsehproduktion GmbH	Germany	Ordinary 1A, 2A, 2C, 3A	80
The Lab Television 2013 Limited Partnership	Israel	Ordinary	50
Talpa Italia Srl	Italy	Ordinary	50
Rangers Productions SRL	Mexico	Common	65
Identity Mansion B.V.	Netherlands	Ordinary	25
Talpa Arabia Holding Ltd (VAE)	UAE	Ordinary	90
Maximum Media Production FZ-LLC (VAE)	UAE	Ordinary	90
Talpa Middle East FS-LLC (VAE)	UAE	Ordinary	90
Eight Bells Productions, LLC	United States	Common	60
What's the Business, LLC	United States	Common	60
FT Productions, LLC	United States	Common	61.5
Shirina, LLC	United States	Common	63.25
Crew Ready Everywhere, LLC	United States	Common	65
Hatfield and McCoy Productions, LLC	United States	Common	65
Highball Music Group, LLC	United States	Common	65
LG Films, LLC	United States	Common	65
Marriage Boot Camp Reality Stars, LLC	United States	Common	65
MDQuartet, LLC	United States	Common	65
Signal Post Facilities, LLC	United States	Common	65
Sound and Stage Studios, LLC	United States	Common	65
Texas Rangers, LLC	United States	Common	65
Thinkfactory Media, LLC	United States	Common	65
Web Legal, LLC	United States	Common	65
Westside Film Partners, LLC	United States	Common	65
Loud Television, LLC	United States	Common	75
Next Step Productions, LLC	United States	Common	75
Outpost Entertainment, LLC	United States	Common	80

# Notes to the ITV plc Company Financial Statements

## continued

### Memberships and Companies Limited by Guarantee

Membership and Guarantee	Country	Interest	%
ITV Netherlands Cooperatief W.A.	Netherlands	Membership	100
ITV LTVC Scottish Limited Partnership	United Kingdom	Partnership	100
ITV Scottish Limited Partnership	United Kingdom	Partnership	100
DTT Multiplex Operators Limited	United Kingdom	Guarantee	25
Digital Production Partnership Limited	United Kingdom	Guarantee	50
Producer's Rights Agency Limited	United Kingdom	Guarantee	50
Appalachian Rentals, LLC	United States	Membership	100
Bluegrass Productions, LLC	United States	Membership	100
Chad Alan Productions, LLC	United States	Membership	100
Double Down Films, LLC	United States	Membership	100
Double Down Films Holdings, LLC	United States	Membership	100
Franconia Productions, LLC	United States	Membership	100
Gator Productions, LLC	United States	Membership	100
Leftfield Entertainment CA, LLC	United States	Membership	100
Leftfield LA, LLC	United States	Membership	100
Leftfield Pictures of NY Holdings, LLC	United States	Membership	100
Leftfield Pictures of NY, LLC	United States	Membership	100
Leftfield Ventures, LLC	United States	Membership	100
Moving Pictures Services, Inc.	United States	Membership	100
Oaklawn Pacific Properties, LLC	United States	Membership	100
Out of Play Productions, LLC	United States	Membership	100
Ozark Pictures, LLC	United States	Membership	100
Sirens Media, LLC	United States	Membership	100
Sirens Project 1203, LLC	United States	Membership	100
Sirens Project 1213, LLC	United States	Membership	100
Sirens Project 1216, LLC	United States	Membership	100
Sirens Project 1217, LLC	United States	Membership	100
Sirens Project 1218, LLC	United States	Membership	100
Sirens Project 1219, LLC	United States	Membership	100
Sirens Project 1223, LLC	United States	Membership	100
Sirens Project 1224, LLC	United States	Membership	100
Sirens Project 1226, LLC	United States	Membership	100
Sirens Project 1227, LLC	United States	Membership	100
Sirens Project 1301, LLC	United States	Membership	100
Sirens Project 1303, LLC	United States	Membership	100
Sirens Project 1309, LLC	United States	Membership	100
Sirens Project 1316, LLC	United States	Membership	100

Membership and Guarantee	Country	Interest	%
Sirens Project 1326, LLC	United States	Membership	100
Sirens Project 1408, LLC	United States	Membership	100
Sirens Project 1410, LLC	United States	Membership	100
Sirens Television Development, LLC	United States	Membership	100
Sunshine Productions Holdings, LLC	United States	Membership	100
Sunshine Productions, LLC	United States	Membership	100
Sunshine Productions Holdings, LLC	United States	Membership	100
Sunshine Productions, LLC	United States	Membership	100
Work Shop of NY, LLC	United States	Membership	100
Jaffe/Braunstein Entertainment, LLC	United States	Membership	51
High Noon East, LLC	United States	Membership	60
High Noon Group, LLC	United States	Membership	60
High Noon Productions, LLC	United States	Membership	60
High Noon West, LLC	United States	Membership	60
Feeding Time Productions, LLC	United States	Membership	61.5
Gurney Productions LLC	United States	Membership	61.5
Hollywood Cameras and Lighting, LLC	United States	Membership	61.5
RICMA, LLC	United States	Membership	61.5
Brat Brigade, LLC	United States	Membership	63.25
Deep Gotham Post, LLC	United States	Membership	63.25
Diga Holdings, LLC	United States	Membership	63.25
Diga Production Studios, LLC	United States	Membership	63.25
Diga, LLC	United States	Membership	63.25
Film Productions Rentals, LLC	United States	Membership	65
Thinkfactory Group, LLC	United States	Membership	65
1016 Productions, LLC	United States	Membership	75
6565 Productions Studios 2, LLC	United States	Membership	75
6565 Productions Studios 3, LLC	United States	Membership	75
6565 Productions Studios 4, LLC	United States	Membership	75
6565 Productions Studios, LLC	United States	Membership	75
All in Post, LLC	United States	Membership	75
Cheese String Studios, LLC	United States	Membership	75
In Reality Productions, LLC	United States	Membership	75
East Olive Productions, LLC	United States	Membership	75
Twofour America, LLC	United States	Membership	75
Twofour Broadcast Media, LLC	United States	Membership	75

### Principal joint ventures, associated undertakings and investments

The Company indirectly held at 31 December 2015 the following interests in significant joint ventures, associates and investments.

Name	Interest in ordinary share capital 2015 %	Interest in ordinary share capital 2014 %	Principal activity
<b>Joint Ventures</b>			
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
<b>Associates</b>			
Independent Television News Limited (ITN)	40.0	40.0	Supply of news services to broadcasters in the UK and elsewhere
<b>Available for sale investments</b>			
Tomorrow ITV Studios LLC (1)	-	-	Production of scripted content

#### Key:

(1) 25% preferred interest



# Shareholder Information

## Shareholder profile

Information as at 31 December 2015

	Holders Number	%	Shares held Millions	%
<b>Type of holder:</b>				
Insurance companies	5	0.01	0	0.00
Banks and nominee companies	3,097	5.52	3,891	96.65
Individuals	51,644	92.03	120	2.97
Others	1,373	2.44	14	0.38
<b>Totals</b>	<b>56,119</b>	<b>100</b>	<b>4,025</b>	<b>100</b>

	Holders Number	%	Shares held	%
<b>Size of holding:</b>				
1 – 100	9,381	16.72	328,102	0.01
101 – 200	7,500	13.36	1,126,231	0.03
201 – 500	14,067	25.07	4,567,672	0.11
501 – 1,000	8,967	15.98	6,564,924	0.16
1,001 – 2,000	6,916	12.32	10,016,277	0.25
2,001 – 5,000	5,061	9.01	15,778,685	0.39
5,001 – 10,000	1,815	3.23	12,823,179	0.32
10,001 – 50,000	1,356	2.42	27,153,400	0.67
50,001 – 100,000	220	0.39	15,364,910	0.38
100,001 – 500,000	370	0.66	94,301,108	2.34
500,001 – 1,000,000	138	0.25	100,420,701	2.49
1,000,001 – 5,000,000	210	0.36	506,744,652	12.60
5,000,001 – 10,000,000	53	0.10	377,538,681	9.38
10,000,001 – 50,000,000	49	0.10	1,077,825,229	26.78
50,000,001 and above	16	0.03	1,774,855,443	44.09
<b>Totals</b>	<b>56,119</b>	<b>100</b>	<b>4,025,409,194</b>	<b>100</b>

### Company website

Investor and shareholder-related information, including the current price of ITV plc shares, can be found on the Company website at:

 [www.itvplc.com](http://www.itvplc.com)

### Financial calendar

Ex-dividend date for the Final and Special dividend	28 April 2016
Record date for the Final and Special dividend	29 April 2016
Annual General Meeting	12 May 2016
Interim Management Statement	12 May 2016
Payment date for the Final and Special Dividend	27 May 2016
Half year results announcement	27 July 2016

### Registered office

The London Television Centre  
Upper Ground  
London  
SE1 9LT


 **020 7157 3000**

Company registration number 4967001

### Registrars and transfer office

All administrative enquiries relating to shareholdings and requests to receive corporate documents should be directed to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU. They can be contacted by telephone on

 **0371 664 0300** from the UK (calls cost 12 pence per minute plus network charges) and

 **+44 20 8639 3399** from outside the UK (calls UK will be charged at the applicable international rate).

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](mailto:shareholderenquiries@capita.co.uk)

### Annual General Meeting

The Annual General Meeting will be held on Thursday, 12 May 2016 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 and a copy of this is available on the Company website.

 [www.itvplc.com/investors/annual-general-meeting](http://www.itvplc.com/investors/annual-general-meeting)

# Glossary

## **Broadcasters' Audience Research Board (BARB)**

– organisation owned by broadcasters and advertisers providing data on linear and online television viewing statistics by 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 the ITV Hub, BBC iPlayer, All 4 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. (ITV completed the acquisition of UTV on 29th February 2016)

**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. BBC1, BBC2, ITV, Channel 4 and Channel 5 were broadcast in analogue

**Free-to-Air (FTA) television** – viewing of television through devices not requiring a subscription 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** – 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

**Total Schedule Costs/Total Network Programme Budget (NPB)** – the budget spent on programming broadcast on the ITV Family of channels, including 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. (ITV completed the acquisition of UTV on 29th February 2016)

**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** – independent regulator and competition authority for the UK communications

**Over-the-top content (OTT)** – delivery of audio, video, and other media over the Internet, this includes content from providers such as Netflix, Amazon and Hulu and also our own on demand service, the ITV Hub

**SDN** – multiplex operator owned by ITV which operates one of the eight national multiplex licences in the UK on 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, BT, TalkTalk, and Arqiva) to operate and promote a hybrid television platform combining Freeview channels with catch up and on demand services



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