

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF SECTION 3 OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("MAR").

ITV Full Year results for the period ending 31 December 2021

STRONG 2021 WITH RECORD REVENUES AND ANNOUNCES DIGITAL ACCELERATION - PHASE TWO OF THE MORE THAN TV STRATEGY

- Successfully executed Phase One of More Than TV Strategy
- Announcing Phase Two - Digital Acceleration to supercharge streaming business with digital first content strategy
- ITVX, the first integrated AVOD/SVOD platform in the UK, will launch in Q4
- Ambitious target to double digital revenues to at least £750 million, driven by a doubling of streaming viewing, MAUs and subscribers by 2026
- Digital-first content investment of £20m in 2022 and £160m in 2023 for ITVX
- Incremental annual revenue will cover the incremental investment cost of ITVX by 2026
- Strong balance sheet enabling investment to create a more valuable digital media and entertainment company and a 5p annual dividend that is expected to grow over time

Carolyn McCall, ITV Chief Executive, said:

"ITV delivered an outstanding financial performance in 2021 with total external revenue growth of 24% and adjusted EPS¹ growth of 40%, fuelled by strong performance in both our Divisions. ITV Studios has enjoyed both ratings and critical success and currently has around 500 programmes in production in the UK and internationally. Media and Entertainment kept viewers and advertisers alike happy with a compelling slate of entertainment shows and dramas and must watch sport across ITV's channels and streaming. Total advertising revenue saw a record year and within this video on demand advertising was up 41%.

"The successful execution of the first phase of our More Than TV strategy puts us in a strong financial and creative position, from which to launch the next phase - ITV's Digital Acceleration, to supercharge our streaming business.

"With the success of ITV Hub, ITV Hub+, Planet V and BritBox we see an exciting opportunity to at least double our digital revenues² to £750m by 2026. At its heart will be ITVX - the first integrated AVOD/SVOD streaming platform in the UK. It will be a seamless viewer experience with a digital first content and windowing strategy and significant content investment providing weekly premieres and over 15,000 hours of content at launch. This will enable ITV to double streaming viewing, double monthly active users, double subscribers and deliver valuable addressable advertising inventory at scale.

"Last year's financial performance together with the successful completion of the first phase of our More Than TV strategy sets ITV up for Digital Acceleration. We look forward with confidence to the launch of ITVX in Q4 and with the above market revenue growth of ITV Studios, we are confident that we will become a leader in UK streaming and an expanding global force in content.

"Our strong balance sheet and cash flows enable us to invest behind our strategy to build a more valuable digital media and entertainment company, and deliver returns to shareholders. "

ITV has delivered a strong financial and operating performance in 2021

- Total external revenue was up 24% at £3,453 million (31 December 2020: £2,781 million)
- **ITV STUDIOS:**
 - Total revenue was up 28% at £1,760 million (31 December 2020: £1,375 million). At constant currency total Studios revenue was down just 2% on 2019³. ITV Studios external revenue was up 30% at £1,177 million (31 December 2020: £903 million)
 - We have delivered a wide range of new and returning programmes and formats in the UK and internationally, including
 - Scripted: Unforgotten and Line of Duty in the UK; Physical, Good Witch and Snowpiercer in the US; Summertime, Gomorrah and Balthazar in Europe
 - Unscripted: Love Island in UK, US and Germany and The Chase in the UK, US, Germany and Australia
- **MEDIA AND ENTERTAINMENT (M&E):**
 - Total revenue was up 21% at £2,282million (31 December 2020: £1,885 million), with total advertising revenue (TAR) up 24%, the highest in ITV's history within which video on demand advertising (AVOD) was up 41%. Total M&E revenue was up 11% on 2019³
 - ITV Family Share of viewing (SOV) was up from 22.2% to 22.3% in 2021 with a strong programming slate including the Euros, Love Island, The Masked Singer, Pembroke Murders and Grace delivering strong ratings as we continue to provide both mass audiences and key demographics
 - streaming viewing hours were up 22%, with monthly active users (MAUs) up 19% to 9.6m
- Adjusted group EBITA⁴ was up 42% at £813 million (31 December 2020: £573 million). This was driven by: the strong recovery in the advertising market; resumption of productions; and tight cost control, with £37 million of permanent overhead cost savings in the year
- Adjusted EPS⁴ was up 40% at 15.3p (31 December 2020: 10.9p). This compares to 13.9p in 2019
- Operating profit was up 46% to £519 million (31 December 2020: £356 million). Statutory profit before tax was up 48% to £480 million (31 December 2020: £325 million) and statutory EPS was up 32% to 9.4p (31 December 2020: 7.1p)
- Profit to cash conversion⁴ was 80%, driven by record TAR and tight working capital management, partly offset by the unwind of the favourable working capital position in 2020

¹ See APMs for full reconciliation between our statutory and adjusted results

² Digital revenue includes AVOD advertising revenues and SVOD subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other M&E revenues from digital business ventures

³ On a like-for-like basis reflecting the reallocation of gaming, live events and merchandising revenue from M&E to ITV Studios in 2021

⁴ Reconciliation between statutory and adjusted results is provided in the APM section

- Balance sheet strength with total liquidity⁵ of £1,514 million (31 December 2020: £1,497 million), net debt of £414 million (31 December 2020: £545 million) and net debt to adjusted EBITDA leverage of 0.5x (31 December 2020: 0.9x)
- The Board has proposed a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full-year dividend of 5.0p
- We continue to drive positive change through our Social Purpose priorities including
 - campaigns to improve mental and physical health, such as Britain Get Talking with a new target to encourage 200 million actions to support health by 2023;
 - progress towards achieving ITV's target to be a Net Zero Carbon business by 2030 will be linked to the remuneration of ITV's senior team, and interest payable on our Revolving Credit Facility;
 - we have made good progress in ITV's Diversity Acceleration Plan including a 33% increase in lead roles filled by Black, Asian and Minority Ethnic talent.

Successful execution of the first phase of our More Than TV strategy - Digital Foundations

- **ITV STUDIOS:**
 - Continued to scale and diversify our world-class Studios business by genre, geography and customer
 - Strong scripted pipeline with 29% of revenues from scripted in 2021 (2020: 26%)
 - We are globalising our formats with 15 programmes sold in three or more countries including Love Island in 21, The Chase format in 19 and Four Weddings in 24
 - 13% of our total ITV Studios revenues came from streaming platforms in 2021 (2020: 10%)
 - We have further strengthened our creative talent with new labels including
 - Cattleya Producciones in Spain, Windlight Pictures in Germany and Rollercoaster Television and 5 Acts Productions in the UK
- **MEDIA AND ENTERTAINMENT:**
 - ITV is now the largest ad funded premium streaming service in Europe⁶ having delivered
 - 28% CAGR in digital revenues since 2018
 - 12% CAGR in digital viewing since 2018, and
 - attracted 9.6m MAUs
 - We have over 3.6 million global subscriptions, up over 38% since 2020
 - BritBox UK continues to grow well, with around 733,000 subscriptions, up over 45% year on year and an exciting pipeline of eight scripted titles in the first half of 2022 including Why Didn't They Ask Evans?
 - BritBox International is now in four countries and delivered strong growth with over 2.4 million subscriptions, up over 50%.
 - It will launch in the Nordics in the first half of 2022, with further roll out planned. By 2030 we aim to have 10 to 12 million international subscribers
 - Hub+ has around 513,000 subscribers, up 19%
 - Planet V is the second largest programmatic video advertising platform in the UK, after Google
 - It has been rolled out to all the major agencies
 - Over 1,000 users have been onboarded, which is growing
 - It has 10,000+ data points which can be used for targeting
 - We have strengthened our data and tech capabilities supporting digital acceleration
 - We maintained our leading market position in linear TV advertising in the UK, with an unparalleled audience reach and deep set of advertising relationships
 - We continued to deliver mass audiences with 93% of the top 1,000 commercial broadcast programmes on TV being on ITV in the year

Digital Acceleration - PHASE 2 of our strategy

- With the success of ITV Hub, ITV Hub+, Planet V and BritBox we see a clear opportunity to supercharge our streaming business and at least double our M&E digital revenues to £750m by 2026.
- Key to this is the launch ITVX in Q4 2022, the first integrated AVOD/SVOD platform in the UK with a digital first content strategy
- ITVX will
 - be an AVOD-led platform, with a compelling SVOD offering
 - provide a simplified and seamless consumer experience
 - have an impressive content line up including weekly exclusive series, FAST channels, content partnerships and 15,000 hours of content at launch
 - include a powerful upsell into SVOD, which will be ad-free and include BritBox's 6,000 hours of British content and future premium content partnerships
 - deliver valuable addressable audiences for advertisers at scale and our established data and analytics capabilities will drive higher-value data driven pricing models
- We will continue to optimise our USP as the largest commercial PSB in the UK and grow linear addressable advertising

Outlook

- We have a clear ambition and strategy to be a leading streamer in the UK and an expanding global force in content
- The success of ITVX will be key to delivering our target of at least doubling digital revenues to £750 million and enabling us to double streaming viewing, double MAUs and double subscribers by 2026
- We will make a significant incremental investment in our digital-first content budget funded by strong cash flows based on rigorous research and analysis
 - Total content investment will be around £1.23 billion in 2022, increasing to around £1.35 billion in 2023 and remain at broadly that level going forward. This includes BritBox UK content previously guided, and the following incremental investment
 - Digital-first content investment of £20m in 2022 and £160 million in 2023 for ITVX

⁵ Total liquidity is our covenant liquidity defined as cash and cash equivalents (including restricted cash) plus undrawn RCF and undrawn CDS Facility

⁶ by revenue. Source: Ampere

- Data-driven viewing models and one content budget will enable flexibility to optimise viewing and revenues across linear, AVOD and SVOD
- Non-content investment of
 - Ongoing investment in data, technology and variable streaming costs of £25 million in 2022 and in 2023. The variable streaming costs will increase as streaming viewing increases but will be offset by cost savings by 2026
 - launch costs of £20 million in 2022 and £10 million in 2023 which then fall away
- Incremental annual revenue will cover the incremental content and non-content investment cost of ITVX by 2026
- BritBox International continues to perform strongly and profitably and we expect to grow international subscribers to 10 to 12 million by 2030
- ITV Studios has a strong pipeline of new and returning programmes to grow revenues by at least 5% per annum on average to 2026, with a margin of 13 to 15% from 2023 as it continues to take advantage of the strong demand for quality content globally
- We are on track to deliver previously announced £100 million of annualised permanent overhead cost savings by 2022 (from 2019). We are targeting an additional £50 million of permanent cost savings in 2026 and beyond, which will be delivered from 2023 but will be back-end weighted
- We have started 2022 well with growth in our share of commercial viewing (SOCV) and good streaming engagement
- The demand for advertising has remained strong with Q1 expected to be up around 16% and April expected to be up around 10%, with continued strong growth in AVOD. Q2 will be impacted by tough advertising comparatives and the Euros from June
- Expect profit to cash conversion⁷ to be around 80% and maintain investment grade metrics over the medium term
- ITV's strong balance sheet and free cash flow generation will fund investments and returns to shareholders and give capacity for further bolt on M&A
- The Board intends to pay an ordinary dividend of at least 5p per annum which can grow over time
- Our M&E seminar will be held today at 10:15 GMT to provide a deeper dive into the business and the launch of ITVX

Full-Year Results presentation - webcast and Q&A:

ITV's Full-Year Results presentation will be streamed at 09:00 GMT today via the following link:

<https://www.investis-live.com/itv/620fb5f1d99fcd0c0056ed82/fyritv>

You are now able to pre-register to join.

There will be an opportunity for investors and analysts to ask questions after the presentation via the Conference Call details below.

Media & Entertainment investor seminar - webcast and Q&A:

The webcast will be streamed at 10:15 GMT today via the following link: <https://www.investis-live.com/itv/620fb006f1e36c0c0058faf8/itmweis>

You are now able to pre-register to join.

There will be an opportunity for investors and analysts to ask questions after the presentation via the Conference Call details below.

Conference Call details for Q&A - PLEASE NOTE THERE ARE DIFFERENT ACCESS CODES FOR EACH EVENT:

United Kingdom 0800 640 6441
 United Kingdom (Local) 020 3936 2999
 All other locations +44 20 3936 2999

Conference call access code for Full-Year Results Presentation Q&A: 271529

Conference call access code for Media & Entertainment Investor Seminar Q&A: 722380

Notes to editors

1. Unless otherwise stated, all financial figures refer to the 12 months ended 31 December 2021, with the change compared to the same period in 2020.
2. Group financial performance

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
ITV Studios total revenue	1,760	1,375	385	28
Total advertising revenue	1,957	1,577	380	24
M&E non-advertising revenue	325	308	17	6
M&E total revenue	2,282	1,885	397	21

⁷ Reconciliation between statutory and adjusted results is provided in the APM section

Total group revenue	4,042	3,260	782	24
Internal supply	(589)	(479)	(110)	23
Group external revenue	3,453	2,781	672	24
<i>Total non-advertising revenue</i>	<i>2,085</i>	<i>1,683</i>	<i>402</i>	<i>24</i>
Group adjusted EBITA	813	573	240	42
Group adjusted EBITA margin	24%	21%	-	-
Operating profit	519	356	163	46
Profit before Tax	480	325	155	48
Adjusted EPS	15.3p	10.9p	4.4p	40
Statutory EPS	9.4p	7.1p	2.3p	32
Net debt as at 31 December	(414)	(545)	131	24

Reconciliation between statutory and adjusted results is provided in the APM section

3. Total advertising, which includes ITV Family NAR, advertising VOD and sponsorship, is forecast to be up around 16% in Q1 with January up 15%, February up 20% and March up around 13%. Early indications are that total advertising revenue will be up around 10% in April which has strong comparatives in 2021 due to the economic rebound. The four months to the end of April will be up around 14%. Figures for ITV plc are based on ITV estimates and current forecasts.

4. Key Performance Indicators

Twelve months to 31 December	2021	2020
Group adjusted EPS	15.3p	10.9p
Cost Savings	£37m	£21m
Profit to cash conversion	80%	138%
ITV Studios total revenue growth	28%	(25)%
ITV Studios adjusted EBITA margin	12%	11%
Total high-end scripted (hours)	175	112
Number of formats sold in 3 or more countries	15	14
% of ITV Studios total revenue from streaming platforms	13%	10%
Total digital revenue	£347m	£248m
UK subscriptions	1.2m	0.9m
Total streaming viewing (hours)	1,048m	856m
Monthly Active Users	9.6m	8.1m
Share of Top 1,000 Commercial Broadcast TV Programmes	93%	93%
Share of Commercial Viewing (SOCV)	33.1%	32.8%
Total BritBox International subscriptions	2.4m	1.6m

The following KPIs will be reported on a quarterly basis: ITV Studios total revenue growth, Total digital revenue, Total streaming hours, SOCV and Share of Top 1,000 Commercial Broadcast TV Programmes. All other KPIs will be reported on a six-month basis.

5. 2022 full year planning assumptions - based on our current best view but may change depending on how events unfold over the year.

Profit and Loss impact:

- Total content spend is expected to be around £1.23 billion including Britbox content spend and an additional £20 million of digital first content spend for ITVM
- Total investment of around £55 million in 2022 which includes: £25 million of investment associated with ITVM in data and technology capabilities and the variable costs of streaming; one-off launch costs of £20 million for ITVM; and £10 million in our digital capabilities including Planet V, and our digital innovations business, Studio 55 Ventures
- Permanent overhead cost savings are expected to be around £17 million in 2022. We will deliver around £100 million of annualised permanent overhead cost savings by the end of 2022
- Adjusted financing costs are expected to be around £36 million, which is in line with 2021
- The adjusted effective tax rate is expected to be around 20% in 2022, and then move to around 25% over the medium term due to the increase in the UK corporation tax rate from April 2023
- The translation impact of foreign exchange, assuming rates remain at current levels, could have a favourable impact of around £6 million on revenue and £nil impact on EBITA
- Exceptional items are expected to be around £60 million, mainly due to costs associated with our digital transformation and our London property move which will drive a permanent ongoing reduction in our cost base

Cash impact

- Total capex is expected to be around £70 million as we further invest in our digital acceleration
- The cash cost of exceptionals is expected to be around £50 million, largely relating to costs associated with our digital transformation and our London property move

- Profit to cash conversion is expected to be around 80%
 - Total pension deficit funding contribution for 2022 is not expected to be materially different to 2021
 - The Board has proposed a final dividend of 3.3p for the full-year 2021, based on two-thirds of a notional 5.0p full-year dividend in respect of the current financial year. The dividend record date is 19th April and dividend payment date is 26th May 2022. Going forward the Board intends to pay a full-year ordinary dividend of at least 5p which it expects to grow over time.
6. This announcement contains certain statements that are or may be forward-looking statements. Words such as "targets", "expects", "believes", "estimates", "plans", "aims", "anticipates", "intends" "forecasts", "goal", "ambition", "will" or "should" or, in each case, the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance. The forward-looking statements in this announcement are based upon current information known to ITV, and on current expectations and assumptions regarding anticipated developments and other factors affecting ITV. Although ITV believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. By their nature, forward-looking statements involve risk, assumptions and uncertainty because they relate to events, and depend on circumstances that will occur in the future. They are not historical facts, nor are they guarantees of future performance; actual results may differ materially from those expressed or implied by these forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to (i) the general economic, business, political, legal, regulatory and social conditions in the key markets in which the Group operates, including the duration and severity of COVID-19 impacts on ITV's colleagues, business, partners and customers, (ii) a significant event impacting ITV's liquidity or ability to operate and deliver effectively in any area of our business, (iii) a major change in the UK advertising market or consumer demand, (iv) significant change in regulation or legislation, (v) a significant change in demand for global content, and (vi) a material change in the Group strategy to respond to these or any other factors. Certain of these factors are discussed in more detail in ITV's 2021 Annual Report and Accounts including, without limitation, in the description of ITV's approach to risk management.
- Forward-looking statements speak only as of the date they are made and, except as required by applicable law or regulation, ITV undertakes no obligation to update any forward-looking statements, whether written or oral that may be made from time to time, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.
7. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2021 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006

For further enquiries please contact:

Investor Relations

Pippa Foulds +44 7778 031097
Faye Dipnarine +44 20 7157 6581

Media Relations

Paul Moore +44 7860 794444
Jenny Cummins +44 7595 106670

Chief Executive's Report

Carolyn McCall, Chief Executive

2021 was an outstanding year for ITV both on and off-screen. Our ITV Studios and Media & Entertainment businesses both performed strongly operationally and financially.

We have emerged from the worst effects of the COVID-19 pandemic as a much stronger, flexible and digitally scaled business. In the UK we have also continued to inform and entertain the nation with our enviable schedule of drama, sport, entertainment and news, and have operated with purpose, driving positive change through everything we do.

Having successfully executed the first phase of our More Than TV strategy that we set out three years ago we have laid the foundations for digital acceleration in the second phase. We have done this through growing and diversifying our customer base, geographic reach and content genres in ITV Studios; investing in the growth of ITV Hub; rolling out Planet V, our leading addressable advertising platform; strengthening our data and technology capabilities; and launching BritBox UK whilst driving the expansion of BritBox International.

Over the past few years, viewing habits and the needs of advertisers have changed rapidly, and the growth in global streaming platforms has accelerated some of these trends. Our ITV Studios business can take advantage of the strong demand for content fuelled by these streamers. And as the UK's biggest TV advertising platform, ITV is in a strong position to supercharge its streaming capability. In Q4 2022, we will launch the UK's first integrated AVOD/SVOD platform, ITVX with a digital-first content strategy. Through this, we will double our digital revenues to at least £750 million by 2026.

2021 Financial highlights¹

ITV's operational and financial performance in 2021 saw a significant rebound after the adverse impact of the COVID-19 pandemic in 2020. While government-imposed lockdowns and containment measures in the UK and internationally continued sporadically during the year, the majority of our productions returned, operating efficiently and mitigating many of the challenges that COVID-19 still posed globally.

ITV Studios total revenue was up 28% with double-digit growth across all areas of the business.

For Media & Entertainment (M&E), the combination of our linear channels' mass simultaneous reach, ITV Hub's brand-safe targeted advertising proposition and the strong economic tailwind, meant 2021 had the highest advertising revenue in ITV's history, up 24% to £1,957 million, despite the lockdown in Q1. This included strong AVOD revenue growth which was up 41%. Total M&E digital revenues, which includes AVOD, SVOD and other digital revenues was £347 million in 2021, which was up 40% in the year.

Total group external revenue increased 24% in the year to £3,453 million.

Statutory operating profit increased by 46% to £519 million, adjusted EBITA increased 42% to £813 million, including £48 million of cost savings which more than offset £24 million of investments. ITV Studios adjusted EBITA increased by 41% and M&E adjusted EBITA increased by 42%. Statutory and adjusted EPS increased by 32% to 9.4p and by 40% to 15.3p respectively.

The venture loss of BritBox UK was £61 million in line with our guidance of £55 million to £60 million.

We remained highly cash generative in the year, with profit to cash conversion of 80%. At 31 December 2021, our net debt was £414 million (31 December 2020: £545 million) and our net debt to adjusted EBITDA was 0.5x (31 December 2020: 0.9x).

We remain committed to investing organically in content, data and technology in line with our strategic priorities while maintaining a credit rating investment-grade balance sheet. We want to sustain a regular ordinary dividend that can grow over the medium term and we continue to consider value creating inorganic investment against strict financial and strategic criteria, with surplus capital being returned to shareholders.

Reflecting ITV's strong operational and financial performance in the year, and in line with previous guidance, the Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p.

1. See Alternative Performance Measures section for a full reconciliation between our statutory and adjusted results.

ITV's purpose

Our purpose is to entertain and connect with millions of people globally, reflecting and shaping culture with brilliant content and creativity.

Our colleagues are always our priority but we are also focused on all our stakeholders: our viewers, subscribers, customers and partners; citizens; legislators and regulators; programme participants and others we work with; and our shareholders and debt investors.

As a public service broadcaster (PSB), ITV contributes to the UK's culture and society, creating shared national moments, highlighting difficult issues, and running programmes and campaigns for mental and physical wellbeing. We make programmes across the whole of the UK, reflecting British culture and experiences that are available for free to everyone. We contribute to the health of democracy, providing trusted, impartial and high-quality local and national news. And we play an important part in economic growth, investing in regional creative economies and the independent production sector.

Driving positive change through our Social Purpose priorities

Businesses have an important role in driving positive change and at ITV, our Environmental, Social and Governance (ESG) strategy is an essential part of our purpose and ability to deliver our business goals. ITV does much more than entertain – it makes a difference to British society in a way that global competitors can not.

We have a unique ability to drive meaningful change by reflecting and shaping culture, raising awareness and inspiring positive change through the massive reach of our platforms. Our four Social Purpose priorities – Better Health, Diversity & Inclusion, Climate Action and Giving Back – help us to express that, both on-screen and off-screen. During the year we launched many initiatives to continue to amplify ITV's Social Purpose and deliver against our priorities.

These included:

- Multiple campaigns to drive mental and physical health, including our flagship mental health campaign, Britain Get Talking, which has encouraged 106 million new or better conversations to take place since its launch in 2019. Other campaigns included Eat Them To Defeat Them and 1 Million Minutes, where close to 200,000 viewers pledged to volunteer over 166 million minutes to help combat loneliness. We also launched our ITV2 partnership with the charity Campaign Against Living Miserably (CALM) aimed specifically at addressing young people's mental wellness and encouraging them to take action to improve their mental wellbeing.
- ITV's Diversity Acceleration Plan Report, which was published in July 2021, one year after the Plan's launch, demonstrated the progress made across our commitments, including improving representation on-screen and career progression opportunities. We saw a 33% increase in lead roles filled by Black, Asian and Minority Ethnic talent on-screen, and through ITV's Step Up 60 initiative, 62 opportunities were created for Black, Asian and Minority Ethnic production talent to gain more senior experience and step up to their next role. We also launched our commitment to disabled representation on screen, and remain focused on doubling the representation of our workforce with a disability.
- ITV's emissions reduction targets, set to enable us to become a Net Zero Carbon business by 2030 were approved by the Science Based Targets Initiative. We also demonstrated our commitment as a business to these targets by linking them to the remuneration of ITV's senior team, and the refinancing of our Revolving Credit Facility.

- We helped raise a record-breaking £13 million for UNICEF through Soccer Aid 2021. We also continued to encourage our colleagues to use their three paid days a year for volunteering and have launched a new mentoring scheme with Creative Access, focusing on encouraging aspiring and emerging talent from underrepresented backgrounds into the TV industry.

Our strategic vision

ITV operates in a very competitive landscape, with viewing habits and the needs of advertisers changing rapidly. The COVID-19 pandemic created many challenges and opportunities for our business, including accelerating some of the trends we were already seeing, particularly the increase in viewership to streaming platforms. While TV in the UK still reaches nearly 90% of the population each week, there is no doubt that overall linear TV viewing volumes are declining. The proliferation of digital platforms gives viewers more choice on what they watch, when they watch and how they watch, and we recognise that younger viewers, in particular, are increasingly moving away from linear viewing to digital platforms. Our strategy is aimed to take advantage of the long-term impact of changing viewing patterns.

We have increased the pace of delivery of our strategy, particularly the investment in our digital products, ITV Hub, Planet V and BritBox UK, which we continued investing in during the COVID-19 pandemic. This investment and pace of delivery mean that, as of today, we have successfully executed Phase One of our More Than TV strategy. We have delivered on the key priorities which were supported by an investment plan, and more detail on this is included in the sections that follow.

We have a clear vision for 2026. The significant progress we have made has laid the foundations to enable us to go faster in the delivery of our strategy, most notably our digital acceleration, in order to realise our vision by 2026. We aim to be a leader in UK streaming and an expanding global force in content. We will be focused on three priorities to deliver our vision:

- Expand our UK and global production business
- Supercharge our Streaming business
- Optimise our Broadcast business

Alongside these priorities, we have set key performance indicators (KPIs) and ambitions to be delivered by 2026. We aim to achieve this through digital transformation across everything we do. We will have a laser focus on viewers and every decision will combine our unique creativity and data insight.

We have continued to strengthen our IPB model, which gives us a real competitive advantage in achieving our vision. It provides ITV Studios with a base of core commissions and a significant promotional engine for its content, and enables cross-promotion and 360-degree monetisation of this across our business models. It secures access to great content for ITV's channels, AVOD and SVOD businesses; and very importantly, it helps us attract and retain talent, which is so key in a creative business.

ITV Studios – Expand our UK and global production business

ITV Studios is a world-class international creator, producer and distributor. It is the largest commercial producer in the UK, one of the largest producers in Europe and one of the largest independent unscripted producers in the US.

The vision we set out for ITV Studios was to strengthen and grow our UK and international production business into a high quality and diversified global business, and over the last three years, we have made very significant progress.

We are now a key scaled player in the global content market: diversified by genre, geography and customer base and we are in a position of strength to take advantage of the growing demand for quality content. We have achieved this by focusing on our four strategic priorities: growing our scripted business, growing our global formats business, and further diversifying our customer base, all underpinned by our ability to attract and retain leading talent. As a result, we now:

- Produce in 13 countries and in the majority of those markets, we believe we are one of the top three international producer groups, and in the UK, we are the biggest
- Have a catalogue of over 90,000 active hours and are one of the pre-eminent distributors in the UK
- Have doubled our proportion of scripted revenues from 15% to around 30% of total revenues since 2015
- Have grown our unscripted business and now have over 285 formats globally, up from around 165 in 2015
- Have grown our revenues from streamers significantly as we have tilted our business towards the strong growth in demand from streamers. In 2021, 13% of total revenues came from streaming platforms, up from virtually zero in 2015
- Have significantly strengthened our creativity through a variety of talent deals as we have focused our acquisition activity on successfully bringing individual creatives into the business, rather than large scale acquisitions

Growing our scripted business

We have continued to build our portfolio of scripted programmes, growing scripted revenues by 43%, with a large proportion of deliveries in the year for global streamers, who are driving the overall growth in the content market. We saw real success during 2021 in the US, with *Physical for Apple TV+* which has been recommissioned for a second season, *Snowpiercer* for TNT which has been recommissioned for a fourth series; and in the UK with *Vigil* on the BBC, the biggest new drama since *Bodyguard* in 2018, *The Pembroke Murders* for ITV, the biggest new drama series on ITV since 2013, and, importantly, six of the top ten highest-rating dramas on UK television were produced by ITV Studios labels (including all of the top three). In Europe, we continued to produce for streamers and local broadcasters with programmes such as *Gomorra*, *Summertime* and *Balthazar*.

In 2021, ITV produced 175 hours of high-value scripted content and our ambition is to grow this to 400 hours by 2026.

Growing our global formats business

We have a portfolio of world-class brands which we continue to strengthen, protect and expand. In 2021 we sold 58 different formats internationally, 15 of which were sold to three or more countries. Our existing portfolio of brands, such as Love Island, The Chase, Four Weddings and I'm A Celebrity...Get Me Out Of Here!, continue to sell well. We have expanded some of our biggest formats with successful spin-offs and this has helped to reinvigorate some of our more established brands, such as The Voice, which now has six spin-off versions, and Come Dine With Me with Couples and Celebrity versions. We have also grown our pipeline of new formats, that all have the potential to be global hits, including Let Love Rule, Rat in the Kitchen, Moneyball, and I'd Do Anything For Love.

By 2026, we expect to increase the number of formats sold in three or more countries to 20.

Further diversifying our customer base

The growth in the content market is being driven by the demand from streamers, and we have further diversified our customer base by strengthening our relationships with global and local streamers, particularly in the US, for both scripted and unscripted programming. In 2021, our revenue from original commissions sold to streamers was up 95% and we have projects in production or under development with all the major streamers globally. We produced a number of programmes for them in 2021, including the fifth season of Queer Eye, and Summertime season two for Netflix, Ten Year Old Tom for HBO Max and The Outlaws, a co-production with Amazon.

In 2021, 13% of ITV Studios total revenues came from streaming platforms (2020: 10%), and we expect this to grow to 25% by 2026.

Attracting and retaining leading talent

We continue to attract and retain the very best creative talent, which remains absolutely key to building a successful Studios business. We offer a very strong creative culture that provides a real competitive edge and in 2021, we were successful in attracting and retaining the industry's best creative talent. In the UK global hit format creators, James Fox and Dom Waugh joined ITV Studios to launch a new entertainment label, and executive producer David P. Davis joined to launch a new scripted label. In Europe, award-winning executive producer, Moritz Polter joined to set up a high-end scripted label in Germany, and renowned television executive and producer, Arturo Díaz, joined to launch ITV's first Spanish scripted label. These deals enable us to capitalise on the demand for premium scripted, and entertainment content in Europe and beyond.

ITV Studios is well positioned in the content market and strategically pivoted to the key drivers of that growth. Delivering against our four priorities and associated ambitions will enable us to grow ITV Studios total revenues, on average, by at least 5% per annum to 2026. While our ITV Studios margin in 2021 has been impacted by ongoing costs associated with COVID-19, we expect it to return to a margin range of 13%-15% by 2023, which reflects our shift into scripted content and our further diversified customer base.

ITV Studios also remains focused on innovation and technology to drive efficiencies. It has embraced new digital processes with more of our productions being managed remotely, utilising tools such as cloud-based editing, and we have consolidated our US unscripted business.

Media and Entertainment

Following a restructure during 2021, M&E has two businesses – Streaming and Broadcast. Streaming is focused on driving digital viewing and targeted advertising through our digital products, while Broadcast is focused on delivering our USP of mass simultaneous audiences on our linear channels. This structure enables us to: seamlessly and strategically respond to changing viewing habits; be more agile and flexible; drive mass audiences and digital viewing; ensure we have the appropriate allocation of resources between broadcast and streaming; further develop our digital capabilities; and streamline the ways we are working to improve productivity, make quicker decisions and reduce cost.

Supercharge Streaming

2021 was a very successful year strategically, financially and operationally for our streaming business.

The ITV Hub has benefited from the continued investment to improve the overall product – including redesigning the interface, enhancing the user experience, increasing personalisation and doubling the number of hours available on the service. This, along with our strong schedule of drama, entertainment and sport, particularly the Euros, contributed to our growth in streaming viewing hours of 22% in the year, with 9.6 million MAUs which was up 19%. Simulcast viewing on ITV Hub was also up 38% and dwell time was up 14%. These metrics demonstrate the growing scale of our digital business, with more people watching our content, more often and for longer. This continued growth is key as we focus on accelerating our streaming business in the second phase of our strategy.

Planet V has been rolled out to all the major agencies and is now the second-largest programmatic video advertising platform in the UK, after Google, with over 1,000 users onboarded in just over one year from launch. We have completed several tech partnerships to enhance the data capabilities and targeting opportunities for our advertisers which have been well received. We had over 400 VOD only advertisers in the year, with the majority of them being completely new to VOD. Planet V has opened up a long tail of advertisers and addressable inventory that we previously could not access and provides significant opportunities for growth.

We have made great progress in driving growth across BritBox UK and BritBox International during the year. BritBox UK subscriptions have increased by over 45% to 733,000, with churn rates halving since launch. We had a pipeline of really strong original content including Crime, which was critically acclaimed, The Secret of the Krays, The Beast Must Die, and, of course, the second series of Spitting Image. The content offering remains strong in the first half of 2022, with eight originals launching on the service. Including ITV Hub+, we now have over 1.2 million subscriptions in the UK.

BritBox International continues to go from strength to strength, with over 2.4 million subscriptions across the US and Canada, Australia and South Africa, which we recently launched. The service will launch in the Nordics in the first half of 2022 and will continue to roll it out globally. By 2030, we are aiming to have 10 to 12 million international subscriptions.

ITVX

With this proven track record and our digital foundations in place, we are in a strong position to supercharge our streaming viewing and revenues, with the creation of an integrated streaming service, ITVX which will launch in Q4 2022. This is the first integrated AVOD/SVOD service in the UK. It will be an AVOD led service with a compelling SVOD proposition. It will provide a seamless viewer experience with a significantly enhanced digital-first content offering, allowing our viewers to watch whenever and however they want, and to attract those audiences who do the majority of

their viewing on digital services. It combines the ITV Hub, ITV Hub+ and BritBox UK into a free and premium content offering, leveraging our scale, brand and the investments and success we have achieved to date.

To support our ambitions for ITVX, in 2022, we will invest £1.23 billion in content across linear, AVOD and SVOD. This will increase to £1.35 billion in 2023 and we expect total content spend to continue at around this level going forward. Our one content budget includes our existing network schedule budget, our content budget previously allocated to BritBox UK, along with significant incremental content investment for ITVX. We will invest in high-quality, trusted content across a wide range of genres, including large family entertainment shows, sport, drama, factual and news which will drive simulcast viewing on ITVX and mass audiences on linear channels. In addition, our digital-first strategy for ITVX will offer viewers new and exclusive series every week; box sets made available in their entirety at the same time as linear transmission; FAST channels (Free Ad-supported Streaming TV services are curated, data-driven channels that are always on, with content that evolves and changes depending on viewer preferences); acquired content and content partnerships and archive content. We are pleased to have already secured a deal with Warner Brothers for American drama and comedy titles, such as The OC, One Tree Hill and Nikita.

By the time we launch ITVX in Q4 2022, we will have 15,000 hours of streaming content available, both free and pay. We currently have around 4,000 hours of content on ITV Hub. There will be a clear and compelling subscription upselling path between AVOD and SVOD. ITVX's premium tier will include BritBox's 6,000 hours of British content, future subscription content partnerships and all of ITVX's content ad-free.

To give ITV greater control over BritBox UK and enable its integration into ITVX, the BBC has ceased to be a shareholder in BritBox UK. They will continue to be a strong partner for BritBox UK and BritBox International, and we have agreed a new long-term content supply deal with the BBC. All PSB partners are committed to BritBox UK which offers consumers a large library of the majority of PSB British content in one place from the past and recent past.

ITVX will combine the experience of our linear advertising proposition with the precision of addressable advertising to fully monetise the value of our digital audiences. We will provide a more targeted offering through scaled addressable advertising inventory not previously available, using our established data and analytics capabilities to drive higher-value data-driven pricing models. This opportunity will allow us to capture new brands in the long tail of advertisers who want smaller scale addressable advertising rather than mass campaigns.

We have significantly invested in our data and technology capabilities over the last three years and these capabilities will be central to ITVX and the decisions we make. Our technology team which is supporting our transformation across the business has doubled in size since 2020, and we have really focused on digitising the way we work, enabling and embedding technology across everything that we do. We have established a data and analytics centre of excellence and have invested in our cloud-based capabilities to make us scalable and adaptable. We are also working in a more seamless way across our business, particularly in content, product and marketing, with data informing more of our decisions.

To measure success within Streaming and deliver long-term growth for our shareholders, we have redefined our KPIs and set ambitious targets to 2026. The combination of our data-driven models and one content budget will enable significant flexibility to optimise viewing and revenue across linear, AVOD and SVOD, to achieve our overall ambition, which is to double our digital revenues to at least £750 million by 2026.

Scaling digital revenue will reflect how we materially shift the business focus, across product and viewer experience, content investment and commercial innovation to be digital-first. This growth will be achieved by bringing more people to our service – we are therefore targeting to double our MAUs on ITVX to 20 million by providing content that they can't get enough of. We aim to double streaming viewing hours to two billion by 2026.

By providing a clear, compelling and differentiated subscription offering within our service, we will double our current UK subscriber base to 2.5 million by 2026.

Optimise Broadcast

As the UK's biggest TV advertising platform, the Broadcast business is hugely important to ITV. We are, and will continue to be, the home of mass simultaneous reach which is increasingly valuable to advertisers as viewing becomes more fragmented. No other platform can deliver scale in such a brand-safe way and that continues to be a critical differentiator for advertisers, and will continue to be an important part of marketing campaigns. TV remains the media delivering the highest return on advertising investment and this revenue stream will undoubtedly continue for many years to come. The Broadcast business also generates significant cashflows through advertising revenues, which helps fund our investment in content.

2021 saw ITV deliver the highest total advertising revenue (TAR) outturn in its history. There was of course a tailwind from the reopening of the economy, but there was a lot of self-help too, with the delivery of our commercial strategy, particularly the successful roll-out of Planet V as detailed earlier. Our Commercial team did an incredible job during the year in deepening strategic relationships with clients and working more collaboratively with them, using data-driven insights to demonstrate the power of television, and advertising with ITV.

During 2021, the team has successfully brought over 400 new advertisers to television, encouraged existing digitally mature advertisers to rediscover TV and increase their spend, and have provided innovative ways for brands to advertise on television. Examples include: advertiser-funded content; commercial partnerships; product placement and sponsorship, using the power of our brands to help advertisers engage with audiences in different ways. All this is made possible and more valuable by being an IPB, with editorial, commercial, creative and production working together to provide valuable opportunities for advertisers.

We have several specific initiatives that encourage advertisers to ITV, including ITV AdVentures Invest and ITV AdVentures Ignite for digitally native brands; ITV Backing Business, our B to B initiative supporting businesses; and ITV Home Planet – an initiative for sustainable brands to tell their environmental stories and encourage viewers to reduce their carbon footprint. We also recently launched ITV Ad Labs which brings together all of ITV Commercial's innovations which the team have been trialling and bringing to the market.

ITV AdVentures Invest is our Media for Equity programme which launched during the first half of 2021 and involves ITV taking minority stakes in early-stage digital and direct-to-consumer businesses, in return for advertising inventory across ITV's channels and the ITV Hub. We have made several investments to date, including location service, what3words, and online health brand, Feel. This is yet another way for us to encourage digitally native brands to TV and demonstrate the proven return it offers.

During the year, we continued to deliver unrivalled audiences, informing and entertaining the nation with high-quality programming across the full range of genres. ITV main channel's share of viewing (SOV) (which includes the BBC) increased marginally in the year from 16.7% to 16.8%, benefiting from the UEFA European Football Championships (Euros), the return of Love Island and a strong slate of new and returning dramas.

We have an exciting schedule on the ITV family of channels in the first half of 2022 with new and returning dramas including: The Ipcress File, Holding, Tell Me Everything, and The Bay; and new and returning entertainment, including: Starstruck, Romeo & Duet, The John Bishop Show and Saturday Night Takeaway. Our sporting schedule includes the FA Cup, Premiership Rugby, England Women's football qualifiers and friendlies, and the FIFA World Cup. We are also extending our commitment to our national and international weekday evening news by increasing its length from 30 minutes to one hour.

With the launch of ITVX in 2022, and the shift of the business to focus on digital-first, we will sharpen our broadcast channels to deliver those unmissable, must-watch moments for our audiences. With the proliferation of choice, it's never been more important for us to find those programmes that can capture the attention of millions and create huge shared moments of entertainment – whether that's drama, big entertainment, sport or live events.

Delivering unrivalled audiences of scale in a trusted, brand-safe environment remains a priority for us. To maintain our USP as the home of the biggest commercial audiences in the UK we have set new KPIs to measure our success. This includes tracking our ITV Family share of commercial viewing (SOCV) (which is ITV's share of viewing as a proportion of all commercial ad-funded channels in the UK). In 2021 our share increased from 32.8% in 2020 to 33.1%. Our ambition to 2026 is to maintain our SOCV at 33%.

In addition, we want to ensure that we continue to deliver meaningful audience scale, so our new KPI tracks our share of the top 1,000 programmes on commercial TV. In 2021 our share was 93% which was flat year-on-year. Our ambition to 2026 is to continue to deliver at least 80% of the top 1000 biggest commercial audiences for TV programmes on a two-year rolling basis across our portfolio of channels.

Following the renewal of our long-term commercial partnerships with Sky and Virgin Media O2, we now have the opportunity to deliver linear addressability through Planet V. We are developing our linear addressable capabilities via IP delivery which we will begin to test during 2022.

Investments and cost savings

Investments

Since 2018 we have made a cumulative investment of £72 million in ITV Studios creative development, ITV Hub, Planet V, data, tech and BritBox, in line with our strategic priorities. This has delivered the significant growth we have seen in ITV Studios and in our digital viewing and revenue. This was in line with our plan announced in 2018 and includes £24 million in 2021.

To deliver our digital acceleration we will make further investments across content, data and technology in 2022 and 2023, funded by our strong cash flows and partly offset by a new programme of cost savings. We are confident that by 2026, incremental annual revenue will cover incremental annual content and non-content investment in ITVX.

Our one content budget across all platforms allows us complete flexibility to optimise our spend across linear, AVOD and SVOD to maximise digital viewing and advertising revenue. We have a very disciplined approach to content investment and have based the incremental investment on rigorous analysis of both the current and incremental spend. It reflects both the confidence we have in providing leading edge content for our viewers and advertisers, as well as the inflation we are seeing in both commissioning and acquiring content.

Total content costs in 2022 will be around £1.23 billion, which is higher than our original guidance of £1.16 billion and includes £20 million of content investment for ITVX, and the reclassification of BritBox UK content costs from M&E variable costs. In 2023, we expect total content costs to be around £1.35 billion, which includes £160 million of content investment for ITVX, which is partly offset by a reduction in main channel commissions. We expect total content spend to continue at around this level going forward.

Non-content investment includes costs that will be ongoing in our cost base and covers our data and technology capabilities and variable streaming costs. In 2022 and 2023 this will be £25 million. Variable costs of streaming will continue to rise thereafter as streaming viewing increases. These costs will be offset by additional permanent cost savings in 2026. In addition, there will be one-off costs of £20 million related to the launch of ITVX in 2022, reducing to £10 million in 2023.

Total non-content investment for ITVX in 2022 will therefore be £45 million and £35 million in 2023.

In 2022, we will also invest around £10 million in our digital capabilities and innovations which includes, Planet V and addressable advertising, and Studio 55 Ventures. This is our digital innovation business focused on attracting talent and creating content and advertising opportunities targeting 16-34 year olds as well as revenue generation. These investments will reach break even in 2023.

Cost savings

We are on track to deliver our cost savings target of £100 million annualised permanent overhead cost savings by 2022 (from 2019). In 2021 we delivered a further £37 million of permanent savings which was ahead of our target of £30 million for the year due to phasing. Savings were achieved from our new operating model, the increased use of technology and data, contract renegotiations and infrastructure savings in M&E. At the end of 2021, we had cumulative cost savings of £83 million, with £17 million expected in 2022. We also delivered £11 million of temporary savings in 2021 due to a natural decrease in non-essential spend, such as travel and entertainment as a result of government restrictions, particularly in the first half of 2021.

From 2023, we will target an additional £50 million of annualised permanent overhead cost savings to be achieved by 2026. We expect these savings to come from continued reductions in broadcast supply chain costs, overheads, property rationalisation and further innovation in ITV Studios. These savings will largely be delivered in 2025 and 2026.

Colleagues

I am incredibly proud of the way our colleagues have continued to work with determination, pride and a real sense of purpose over the last year, with many still having to work at home for the majority of the year. ITV has succeeded to date because of the people who work here. Our

colleagues are central to our purpose and vision and are at the heart of what we do. They make this a creative, collaborative and commercial culture and have helped build the strong foundations of our business today.

At ITV, we understand and value the creativity that diversity brings to our business, and strive for an inclusive environment where everyone can be their authentic self. We aim to reflect the diversity of modern society both on and off-screen. Our Diversity Acceleration Plan aims to increase the pace of progress in this area, and we have several workforce initiatives in place to drive our inclusive culture. We also have five active colleague networks that help to shape the culture at ITV and ensure that all colleagues feel represented and their voices heard.

In 2021 we ran a full engagement survey for our employees globally, with 76% of our employees sharing their views. From the results, 87% of colleagues said they were proud to work for ITV, 82% said they can be their authentic self at work, and 77% felt that colleagues from all backgrounds have equal opportunities to succeed at ITV. I'm pleased with the results, and while there were areas identified as opportunities for us to improve, particularly around career development, and the communication of ITV's vision, which we will focus on this year, we have demonstrated that the work ITV has done to support our colleagues over the last two years has had a positive impact.

In 2022, I, along with members of the Management Board will be holding a series of roadshows in the UK and internationally to update our colleagues on the evolved strategy – the vision and the mission we are on. We are looking forward to this and in particular, getting feedback from right across the business.

Duty of Care

As part of our ongoing evolution of Duty of Care best practice, we have recently announced new measures to strengthen our support for producers working on ITV network programmes. It includes:

- Extending our Duty of Care training for third-party producers working on ITV Network commissions who would like to access it
- Recruiting a new Duty of Care Business Partner for M&E to advise and support on delivering appropriate participant welfare plans for productions
- The launch of new Experience Surveys – believed to be an industry first – to allow participants to provide feedback on their experience

ITV monitors and reviews historic issues to continue to evolve and strengthen our Duty of Care policies. In the Netherlands, ITV has appointed a Dutch law firm to conduct an external investigation into allegations of inappropriate behaviour surrounding The Voice of Holland. In the UK, ITV will be giving evidence and cooperating with the inquest into the death of Steve Dymond, who died in the days following the filming of The Jeremy Kyle Show.

Regulation

Ofcom has published its final statement on the future of public service broadcasting, including recommendations to the government as to how the system might be maintained and strengthened. Ofcom has concluded that there is now an urgent need for a new framework to support an effective transition to public service media (PSM), straddling online and broadcast TV. We remain fully engaged with Ofcom and the government on this, particularly in relation to the need for reform of the rules governing prominence, inclusion and fair value for PSBs on all major platforms, particularly online. The government intends to publish a Media White Paper during the first half of 2022.

In 2020 the government published its statement confirming the introduction of a 9pm watershed ban on TV and VOD advertising of High Fat Sugar and Salt (HFSS) products, and a prohibition on most paid-for online HFSS advertising at all times. Small and medium-sized enterprises (SME) food and drink companies and owned media (e.g. own company websites and social accounts) are exempt. Subject to the passage of the Health and Social Care Bill through Parliament, the ban will come into effect on 1 January 2023. Whilst we remain fully engaged with this process – and continue to believe that there is a strong, evidence-based case for alternatives to the pre 9pm ban – the proposed TV ban will negatively impact ITV.

In 2021, the government completed a call for evidence in relation to gambling, with a White Paper expected during 2022. The call for evidence was very broad, encompassing the industry as a whole, and advertising may form part of any eventual process of reform.

Outlook

2022 will be an exciting year for ITV as we look towards the launch of ITVM. We are confident that our vision and strategy is the right long-term plan for ITV. We are clear on what we need to do to deliver our digital acceleration and our ambition to be a leader in UK streaming and an expanding global force in content. We start from a position of strength and have the foundations in place to take advantage of the evolving viewing, advertising and content trends.

We have started 2022 with growth in ITV Family SOCV, and good engagement in streaming. The demand for advertising has remained strong with Q1 expected to be up around 16%. April is expected to be up around 10%. Q2 will be impacted by tough advertising comparatives, which in 2021, saw a strong rebound from May onwards, along with the Euros in June.

Our balance sheet is in good shape and well within investment grade metrics. This combined with our strong cash flows enables us to invest behind our strategy to build a more valuable digital media and entertainment company, and deliver returns to shareholders. Going forward, the Board is committed to paying a full year ordinary dividend of at least 5.0p which it will grow over time.

Carolyn McCall
Chief Executive

Key Performance Indicators (KPIs)

We define our KPIs to align our performance and accountability to our strategic priorities. As we continue to evolve our strategy, we have redefined our KPIs to ensure they remain appropriate to our business and our priorities. In the following section, we have set out our new KPIs and ambition for 2026 for Studios and M&E. In addition, we have included our previous KPIs which we will no longer report going forward.

The following KPIs will be reported on a quarterly basis: ITV Studios total revenue growth, total digital revenue, total streaming hours, share of commercial viewing and share of top 1,000 commercial broadcast TV programmes. All other KPIs will be reported on a six-month basis.

ITV Group

Adjusted EPS¹

Definition

Adjusted EPS represents the adjusted profit for the year attributable to each equity share. Adjusted profit is defined as profit for the year attributable to equity shareholders after adding back exceptional items and including high-end production tax credits. Further adjustments include amortisation and impairment of assets acquired through business combinations, net financing costs and the tax effects 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 40% from 10.9p to 15.3p. This was driven by strong growth in total advertising revenues (TAR) up 24%, and ITV Studios adjusted EBITA up 41% as a result of the recovery from the COVID-19 impact in 2020.

2021

15.3p

+40% on 2020

Cost savings

Definition

Cost savings are permanent savings to the business. In 2020 and 2021, this also includes temporary savings as a result of the COVID-19 pandemic. Managing our cost base is key as we aim to run our business as efficiently as possible and fund investments in line with our strategic priorities.

Performance

We delivered £48 million of cost savings in 2021. Of the cost savings achieved, £37 million are permanent and £11 million are temporary savings. This was ahead of the target of £30 million permanent cost savings, which was due to phasing.

Since 2019, we have delivered a cumulative £83 million of permanent cost savings. In 2022, we will deliver around £17 million of permanent cost savings, with total cumulative cost savings of around £100 million.

We will deliver an additional £50 million of permanent cost savings by 2026. In total, we will deliver £150 million of permanent cost savings between 2019 and 2026.

Ambition

8 years to 2026

Deliver £150 million of permanent savings

Profit to cash conversion¹

Definition

This is our measure of our effectiveness of cash generation used for working capital management. It is calculated as our adjusted cash flow as a proportion of adjusted EBITA¹. Adjusted cash flow¹, which reflects the cash generation of our underlying business, is calculated on our statutory cash generated from operations and adjusted for exceptional items, net of capex on property, plant and equipment and intangible assets, and including the cash impact of high-end production tax credits.

Performance

Profit to cash conversion was 80% in the year. This was due to record advertising revenues in 2021 and tight working capital management. This was partly offset by the unwinding of the working capital benefit from 2020, which had a significant working capital inflow arising from a reduction in programme stock (where we delivered programmes but were unable to continue producing due to the COVID-19 pandemic) and the timing of VAT payments which were deferred to the first half of 2021.

2021

80%

Ambition

5 years to 2026

Maintain at around 85%

1. A full reconciliation between our adjusted and statutory results is provided in the Alternative Performance Measures section.

Expand

UK and global production

ITV Studios total revenue growth²

Definition

ITV Studios total revenue measures the scale and success of our global studios business. It includes revenues from programmes sold to M&E, which as an integrated producer broadcaster, is an important part of our business.

Performance

ITV Studios total revenue grew 28% to £1,760 million, despite ongoing COVID-19 challenges in the production of both scripted and unscripted content.

Total organic revenue at constant currency (which excludes acquisitions and assumes exchange rates remain consistent with 2020) was up 31%. There was a £40 million unfavourable currency impact in the year.

2021

£1,760m

+28% on 2020

Ambition

5 years to 2026

Grow on average at least 5% per annum from 2022

ITV Studios adjusted EBITA margin %²

Definition

This is the key profitability measure used across the ITV Studios business. The profile of adjusted EBITA margin differs for production and distribution activities, and further varies with each production due to genre, customer type and maturity. Adjusted earnings before interest, tax and amortisation (EBITA) is calculated by adding back exceptional items and including high-end production tax credits². It reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The margin is calculated based on ITV Studios total revenue.

Performance

ITV Studios adjusted EBITA margin was 12% (2020: 11%) and continues to be impacted by incremental costs associated with social distancing guidelines and health and safety protocols in productions.

2021

12%

+1% point on 2020

Ambition

Return to 13% to 15% range from 2023 onwards

2. A full reconciliation between our adjusted and statutory results is provided in the Alternative Performance Measures section.

Total high-end scripted hours

Definition

Total high-end scripted hours is an important measure of the success of our strategy to grow our global scripted business. High-end scripted hours include new commissions or returning franchises that have a higher cost per hour than continuing drama. These high-end scripted hours are sold to global streamers, pay platforms or free-to-air broadcasters, where they are expected to perform well with viewers in their domestic market, as well as having international distribution appeal.

Performance

The number of high-end scripted hours produced by ITV Studios increased by 56% to 175 hours driven by growth in UK high-end scripted hours, with for example Grace and The Tower; and new US titles such as Physical and Ten-Year-Old Tom.

2021

175hrs

+56% on 2020

Ambition

5 years to 2026

Grow to 400 hours

Number of formats sold in three or more countries

Definition

The Studios business is focused on maximising unscripted value by both protecting and expanding existing formats and creating new formats that travel internationally. A good measure of international success is when a format is commissioned in three or more countries in the year. Spin-offs such as Beat the Chasers are considered distinct to the original format (i.e. The Chase) for the purpose of this indicator.

Performance

The number of formats sold in three or more countries increased to 15 formats. Recent formats that have sold in three or more countries include Let Love Rule, The Voice Generations and Beat the Chasers.

2021

15 formats

+1 format on 2020

Ambition

5 years to 2026

Grow to 20 formats

Expand

UK and global production

% of ITV Studios total revenue from streaming platforms

Definition

Over the next five years, the key driver of growth across the overall content market will be significant investment by streamers. The percentage of ITV Studios total revenue from streaming platforms is an important measure to demonstrate the extent to which the business is further diversifying its customer base and pivoting to streamers around the world. See earlier KPIs for definition of ITV Studios total revenue.

Performance

The percentage of ITV Studios total revenue from streaming platforms grew to 13%.

Notable deliveries on streaming platforms in 2021 include Physical (Apple+), Cowboy Bepop (Netflix) and Ten-Year-Old Tom (HBO Max).

2021

13%

+3% points on 2020

Ambition

5 years to 2026

Grow to 25% of ITV Studios total revenue

M&E

Supercharge streaming and optimise broadcast

Total digital revenue

Definition

Total digital revenue is an important measure of the acceleration of our digital strategy and our digital first approach. It includes AVOD advertising revenue and SVOD subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other revenues from digital business ventures.

Performance

Total digital revenue grew 40% to £347 million. The growth was largely driven by AVOD revenue, which grew 41%, and the growth in BritBox subscriptions.

2021

£347m

+40% on 2020

Ambition

5 years to 2026

More than double to at least £750m

UK subscribers

Definition

UK subscribers captures total UK subscriptions to ITV streaming platforms and services (including free trials). It is an important measure of how successfully we provide a clear, compelling and differentiated SVOD offering.

Performance

Total UK subscribers grew 33% to 1.2 million. Growth came from both BritBox UK subscribers and the ITV Hub+ platform.

2021

1.2m

+33% on 2020

Ambition

5 years to 2026

Double to 2.5m

Total streaming hours

Definition

Driving digital viewing and enticing our viewers to watch more ITV content is key to our digital first strategy. Total streaming hours measures the total number of hours viewers spent watching ITV across all streaming platforms. This figure includes both AVOD and SVOD viewing.

Performance

Total streaming hours increased 22% to 1,048 million hours. The growth was driven by our focus on strengthening our content offering. On ITV Hub and ITV Hub+, we extended the catch-up window, increased the number of drama series available in full when the first episode launched on linear and improved the curation of content using our vast archive. In addition, during the Euro 2020 Football Championships, for the first time, we put all episodes of the soaps for the week ahead on ITV Hub. On BritBox UK, we launched five new and exclusive originals in 2021 including Secrets of the Krays and Crime.

2021

1,048m hrs

+22% on 2020

Ambition

5 years to 2026

Double to 2bn hours

Monthly active users

Definition

As part of our digital first strategy, it is important that we measure the number of viewers that engage with our content digitally. Monthly active users captures the average number of registered users throughout the year who accessed our owned and operated on demand platforms each month. This includes both our AVOD and SVOD offering.

Performance

Monthly active users grew 19% to 9.6 million. Growth was driven by increased user engagement with viewers watching more of our soaps and dramas. The return of popular entertainment shows such as Love Island and the Euro 2020 Football Championships also brought record-breaking numbers to our digital platforms. Alongside this, a redesigned ITV Hub app was rolled out across big-screen platforms such as Amazon Fire and Samsung, which were our fastest-growing platforms in 2021.

2021

9.6m

+19% on 2020

Ambition

5 years to 2026

Double to 20m

Share of top 1,000 commercial broadcast TV programmes

Definition

Continuing to deliver meaningful audience scale is important to M&E's overall success. This measure indicates ITV's proportion of the top 1,000 commercial broadcast TV programmes. This includes TV viewing from transmission and seven days post-transmission on catch up, as well as six weeks prior to the transmission window. It excludes programmes with a duration of <ten minutes. This metric is calculated as a two year rolling average to normalise the impact of large sporting events.

Performance

Our share remained flat at 93%. Despite the broadcast schedule missing Britain's Got Talent, it was supplemented by the Euro 2020 Football Championships and a greater number of soap episodes compared to 2020. Dramas such as The Pembrokeshire Murders, alongside entertainment formats like The Masked Singer, also helped to maintain ITV's strong commercial mass audience proposition. In 2022, we expect this figure to decline slightly as a result of changes to our evening scheduling.

External source: BARB

2021

93%

Flat on 2020

Ambition

5 years to 2026

Maintain a share of at least 80%

Share of commercial viewing

Definition

Keeping our free-to-air proposition strong with unrivalled commercial audiences is vital for the M&E business and ITV Family share of commercial viewing is how we measure this. ITV Family share of commercial viewing is the total viewing of audiences over the year achieved by ITV's family of channels as a proportion of all ad-supported commercial broadcaster viewing in the UK.

Performance

Share of commercial viewing remained broadly flat at 33.1%.

ITV main channel grew year-on-year as the regular schedule returned after the disruption to production in 2020 due to government restrictions. The Euro 2020 Football Championships, postponed to 2021, were also a significant boost to the main channel. Overall the other ITV Family channels were flat, with growth in the youth-targeted ITV2 offset by small declines to ITV3, ITVBe and CITV.

2021

33.1%

+0.3% points on 2020

Ambition

5 years to 2026

Maintain at 33%

BritBox International

Total subscribers

Definition

The number of BritBox International subscribers captures total global subscriptions (excluding UK). It is an important measure of the scale and reach of our international SVOD offering. BritBox International is a joint venture between BBC Studios and ITV.

Performance

Total subscribers grew by 50% to 2.4 million. BritBox International is now available across four countries, following the launch in South Africa in 2021. We continue to see subscriber growth from all established territories including the US, Canada and Australia.

Both the BBC and ITV are committed to further investment in BritBox International to support an ambitious target of 10 to 12 million subscribers internationally (excluding UK) by 2030.

2021

2.4m

+50% on 2020

Ambition

9 years to 2030

Grow to 10-12m

KPIs previously set out for three years to 2021

In 2018, we set targets or strategic ambitions for our KPIs for three years to 2021 (where appropriate to do so). Those not set out in our new KPIs have been included for reference below. Across 2020 and 2021, the performance of all our KPIs and the delivery of corresponding targets have been impacted by the COVID-19 pandemic. Further detail is included below and within our Operating and Financial Performance Review. These will not be included going forward.

ITV Group

Total non-advertising revenues

2021

£2,085m

+24% on 2020

Non-advertising revenue grew 24% in 2021 to £2,085 million, largely driven by the improvement in ITV Studios total revenue by 28% to £1,760 million, despite ongoing COVID-19 challenges. Subscription revenue was also up 56% to £42 million, driven by growth in BritBox UK and ITV Hub+. Other M&E revenue was up 2% to £213 million driven by growth in third-party NAR commission from STV, partly offset by a decrease in competitions revenue following strong growth in 2020.

Expand

UK and global production

Total production hours

2021

6,700 hrs

-6% on 2020

The number of hours of content produced by ITV Studios declined by 6% to 6,700 hours. This was largely driven by a reduction in high volume unscripted titles, in particular in the Netherlands.

This is below the original target of 10,000 hours as the mix of programmes delivered has changed and we have increased our focus on higher value, lower-volume scripted programmes.

Transform

Broadcast (M&E)

Total advertising revenue

2021

£1,957m

+24% on 2020

Total advertising revenue grew 24% to £1,957 million, the highest in ITV's history. There was strong growth in online AVOD revenues, up 41%, along with growth across all other advertising categories including NAR, sponsorship and creative partnerships revenues. Compared to 2019, TAR was up 11%.

Online revenue growth

2021

41%

Online AVOD revenue continued to grow strongly, up 41% in the year. Since 2018 we have delivered a CAGR of 26%, in line with our target of delivering double-digit growth per annum over the period.

Total ITV viewing

2021

15.1bn hrs

-9% on 2020

Total ITV viewing declined by 9% to 15.1 billion hours with higher viewing on ITV Hub (simulcast and on demand, up 27%) offset by a decline in viewing across our live linear channels (down 11%). The increase in ITV Hub viewing was driven by our strong content offering in 2021, including the summer series of Love Island, the Euro 2020 Football Championships and pre-transmission series drops, as well as a significant increase in simulcast viewing during the 2021 winter COVID-19 restrictions in the UK.

Total broadcast viewing (all broadcast channels including TV VOD) declined by 10% impacted by fewer people at home than in 2020 in the daytime and growth in streaming viewing.

Total ITV viewing is below our target of 16.8 billion hours, as a result of the changes in viewing habits which have been accelerated by COVID-19.

External source: BARB/Advantage, Crocus and third-party platforms

ITV Family share of viewing (SOV)

2021

22.3%

+0.1% point on 2020

ITV Family SOV was up 0.1 percentage point year-on-year to 22.3%. Within this, ITV main channel was up 0.1 percentage point to 16.8%, which is the third biggest SOV in a decade. ITV's other channels remained broadly flat at 5.5%, with ITV2 still the most-watched digital channel for 16-34s for the fifth year in a row. Three of the top five dramas of 2021 were on ITV, whilst ITV was also home to the most-watched programme of the year, with England's Euro 2020 Football Championships semi-final watched by 18.4 million viewers (across the entire coverage, including on ITV Hub).

22.3% is ahead of our original target to maintain share of viewing above 21% over the period.

External source: BARB/AdvantEdge

Online viewing

2021

630m hrs

+31% on 2020

The ITV Hub and ITV Hub+ are the online home for our family of channels and content. Following the content-driven decline in 2020 as a result of the pandemic, online viewing is up 31% on 2020 and 25% on 2019, driven by viewers' appetite for our content on catch up, VOD and simulcast. Viewing on connected TVs remained the biggest driver of growth in 2021.

Since 2018 we have delivered CAGR of 12% in line with our target of double digit growth per annum.

External source: Crocus

ITV Hub registered user accounts

2021

34.7m

+6% on 2020

The ITV Hub and ITV Hub+ grew the number of registered user accounts by 6% to 34.7 million in 2021, well ahead of our target of 30 million. This growth continues to be driven by our high-quality content and good user experience, which has been supported and enhanced by a process of continued improvement and investment in the year.

The ITV Hub helps ITV reach valuable light viewers and younger audiences, who are increasingly using the ITV Hub for simulcast as well as catch up. Simulcast viewing hours were up 38% year-on-year.

Brand consideration

2021

47.3%

-2.3% points on 2020

Brand consideration in 2021 was 47.3%, down two percentage points on 2020. This was driven by the absence of key entertainment shows in the Q1 schedule, which would usually have a positive impact, along with strong competition from the SVOD platforms. However, in the summer months between June and August 2021,

brand consideration was up one percentage point, following the success of sports and key entertainment shows. ITV's brand consideration for light viewers declined by two percentage points over the full year.

Brand consideration is below our target of 60%, as a result of the changes in viewing habits which have been accelerated by COVID-19 and increased competition from a growing number of streaming platforms. We remain one of the top three brands within all TV channels and platforms in the UK, demonstrating the high quality of our content and the positive impact of our marketing investment.

External source: YouGov

Expand

Direct to Consumer

Direct to consumer revenue

2021

£75m

-9% on 2020

Direct to Consumer revenue declined 9% to £75 million in 2021. The decline is mainly driven by competitions revenue which has strong comparatives in 2020, with stay-at-home restrictions boosting daytime viewing and competition entries.

Direct to consumer revenue is below our original target of £100 million by 2021 due to: i) the impact of COVID-19, with lockdown and travel restrictions impacting our ITV Hub+ subscriptions base which declined in 2020 through no summer Love Island, a lower volume of new content and a reduced need for EU portability; and ii) our strategic decision to focus less on pay per view opportunities and instead, focus on BritBox UK, which is not included in this revenue figure.

Note that our target also included gaming, licensing and merchandising revenues which have now been reclassified to ITV Studios.

Paying product relationships

2021

7.5m

-4% on 2020

Paying product relationships declined by 4% to 7.5 million in 2021. This excludes relationships from BritBox UK.

The decline in the year was largely due to a decline in competition participants and gaming users. However, this was partly offset by an increase in live event visitor numbers as lockdown restrictions were loosened as well as higher ITV Hub+ users.

This is below our original target of 10 million relationships by 2021 due to: i) the impact of COVID-19, with lockdown and government restrictions causing our live events to remain closed for part of 2021; ii) a lower ITV Hub+ subscriptions base in 2020 due to COVID-19; and iii) our strategic decision to focus less on pay per view opportunities.

Operating and Financial Performance Review

ITV delivered a strong operating and financial performance in 2021, with growth across all areas of the business, despite the ongoing challenges of the COVID-19 pandemic. We have successfully executed the first phase of our More Than TV strategy and are now in a strong position to accelerate into the next phase of building a digitally led media and entertainment company.

Key financial highlights

Group external revenue

£3,453m

+24% vs 2020

(2020: £2,781m)

(2019: £3,308m)

Total advertising revenue

£1,957m

+24% vs 2020

(2020: £1,577m)

(2019: £1,768m)

Adjusted EBITA

£813m

+42% vs 2020

(2020: £573m)

(2019: £729m)

Operating profit

£519m

+46% vs 2020

(2020: £356m)

(2019: £535m)

Adjusted EPS

15.3p

+40% vs 2020

(2020: 10.9p)

(2019: 13.9p)

Statutory EPS

9.4p

+32% vs 2020

(2020: 7.1p)

(2019: 11.8p)

Net debt

£414m

(2020: £545m)

(2019: £893m)

We use both statutory and adjusted measures in our Operating and Financial Performance Review. See Alternative Performance Measures section for a full reconciliation between our statutory and adjusted results.

ITV delivered a strong operating and financial performance in 2021. There was growth across all areas of the business following the adverse impact of the COVID-19 pandemic in 2020. ITV Studios had the majority of its programmes back in production and was able to deliver a wide range of new and returning programmes globally, helping to drive strong revenue and profit growth in the year. Within our Media & Entertainment (M&E) division, total advertising revenues in 2021 saw a significant rebound to be the highest in ITV's history, with our AVOD revenues being a key driver of this growth. We had a strong programming slate across the year and significant viewing on linear and VOD for the UEFA European Football Championships (Euros), Love Island and many of our dramas.

We remained focused on tightly managing our costs and cash flow during the year while continuing to invest in delivering our priorities, and we have now successfully executed the first phase of our More Than TV strategy. Within ITV Studios we have continued to grow in the UK and internationally; develop our creative pipeline of new scripted and unscripted shows; diversify our customer base and strengthen our creative talent. Within M&E, we accelerated our VOD strategy; continued the successful roll-out and further development of Planet V (our programmatic addressable advertising platform); extended the distribution and content on BritBox UK, and the international roll-out of BritBox with the Nordics launching soon. We have the foundations in place to enable us to enter the second phase of our strategy and digital transformation, as we evolve our products, user experiences and ways of working, which will place us firmly as a digitally led media and entertainment company.

Group financial overview

We measure performance through a range of metrics, particularly through our alternative performance measures (APM) and KPIs, as well as statutory results, all of which are set out and defined in this report.

While the macro environment continued to be impacted by the COVID-19 pandemic during the year, ITV delivered a strong performance. Total ITV revenue increased by 24% to £4,042 million (2020: £3,260 million), with external revenue also up 24% at £3,453 million (2020: £2,781 million). Total advertising revenue was up 24% to £1,957 million (2020: £1,577 million) and total non-advertising revenue was up 24% to £2,085 million (2020: £1,683 million), of which ITV Studios was up 28% at £1,760 million (2020: £1,375 million). Overall, both total revenue and external revenue were above the pre-COVID-19 pandemic revenue of 2019 (2019: total revenue £3,885 million, external revenue £3,308 million).

Content costs were £175 million higher in the year at £1,154 million (2020: £979 million). We delivered £48 million of overhead cost savings in the period, of which £37 million were permanent and £11 million were temporary savings. The permanent savings were ahead of our planned £30 million and mainly due to phasing within M&E, with a proportion of cost savings expected in 2022 being delivered early. Permanent savings in the year included headcount savings from reorganisational changes, particularly in M&E; contract renegotiations; M&E infrastructure savings; and a permanent reduction in some discretionary spend across the business. The temporary savings were mainly due to a natural decrease in non-essential spend, such as travel and entertainment in the period due to government restrictions, particularly in the first half of 2021. We have delivered £83 million of cumulative cost savings since 2019 and are on track to deliver £100 million by the end of 2022.

Our essential investments to support our strategic priorities were £24 million in the year and broadly in line with our planned £25 million. BritBox UK venture loss was £61 million and in line with our guidance.

Group adjusted EBITA increased by 42% to £813 million (2020: £573 million), with a 41% increase in ITV Studios adjusted EBITA and a 42% increase in M&E adjusted EBITA. While the margin of the M&E division has recovered, the ITV Studios margin remains impacted by COVID-19 related costs, particularly those associated with social distancing guidelines and health and safety protocols. Group adjusted EBITA is 12% ahead of 2019, driven by the growth in M&E. Further detail on the two divisions is explained in the ITV Studios and M&E sections.

Adjusted financing costs were down in the year at £31 million (2020: £36 million) and our adjusted tax rate was 19.9% (2020: 18.0%). Adjusted EPS increased by 40% to 15.3p (2020: 10.9p), and was ahead of adjusted EPS in 2019, of 13.9p.

Operating exceptional items, before tax, were £196 million (2020: £118 million) and include acquisition-related costs, the largest item being an increase in the final Talpa earnout of £108 million, along with an onerous transponder provision within M&E of £16 million, and a £21 million estimate of the increased provision required for the settlement of the Box Clever pension case (see note 3.2 to the financial information for further detail). Statutory net financing costs were £50 million, which was up year-on-year (2020: £44 million) due to higher interest payable on our exceptional acquisition-related expenses. Statutory profit before tax was up 48% at £480 million (2020: £325 million). Our statutory effective tax rate was 19.2% (2020: 13.5%), and statutory EPS rose from 7.1p to 9.4p year-on-year, however, this was 20% lower than statutory EPS in 2019 of 11.8p. See the Finance Review for further detail.

We have good access to liquidity. At 31 December 2021, we had cash and committed undrawn facilities totalling £1,514 million, including total cash of £736 million (includes restricted cash of £50 million). Our profit to cash conversion (which is an APM) in 2021 was 80% (2020: 138%). At 31 December 2021 our net debt was £414 million (31 December 2020: £545 million). Our net debt to adjusted EBITDA was 0.5x (31 December 2020: 0.9x).

Reflecting ITV's strong operational and financial performance in the year, and in line with previous guidance, the Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p. The Board intends to declare a full year ordinary dividend of at least 5.0p in 2022 which it expects to grow over time whilst balancing further investment behind our strategy and our commitment to investment grade metrics over the medium term.

A range of scenarios reflecting ITV's principal risks has been modelled and considered in the assessment of ITV's longer-term viability. Refer to the Long Term Viability Statement for further detail.

ITV Studios

ITV Studios is the largest commercial producer in the UK, as well as one of the largest producers in Europe and one of the largest independent unscripted producers in the US. With a combined content library of over 90,000 hours, it is also one of the pre-eminent distributors in the UK.

Growing UK and global productions is central to ITV's More than TV strategy. ITV Studios ambition is to be a leading force in the creation and ownership of intellectual property (IP), global content production and distribution. We have built an increasingly scaled and diversified business, by genre, geography and customer, in the key creative markets around the world.

We have achieved this by focusing on our four strategic pillars as follows: growing our scripted business, growing our global formats business, and further diversifying our customer base, all of which is underpinned by our ability to attract and retain leading talent.

Whilst challenges remain in delivering programmes under COVID-19 restrictions, particularly those requiring filming in multiple locations, the majority of productions have continued throughout 2021. We have strict procedures and protocols to minimise health and safety risks to our talent, crew, participants and colleagues, which have enabled us to continue to produce globally, including scripted titles such as Physical in the US and Summertime in Italy, and large scale entertainment formats such as I'm A Celebrity...Get Me Out Of Here!, Love Island and The Voice.

Growing our scripted business

Whilst unscripted content production remains important to ITV Studios, growing our scripted business is one of our key strategic priorities. In 2021, our scripted business accounted for 29% of total revenues (in 2015, it was around 15%) and we produced 175 hours of high-value scripted content (2020: 112 hours), with the ambition to increase this to 400 hours by 2026. Our total high-value scripted hours in the year was lower than expected due to the phasing of 2021 deliveries, with some titles now expected to be delivered in 2022.

Scripted content is key to platforms (both free-to-air and streamers) attracting and retaining viewers and subscribers. This together with the significant increase in the number of streamers over the last few years, has meant we have seen significant growth in the number of original scripted commissions in the UK and US as well as in Europe. Furthermore, the increasing globalisation of scripted content has led to rising demand for locally produced, non-English language scripted content. We expect this trend to continue and ITV Studios, with its global production presence and recent talent deals, is well-placed to serve this growing demand. In addition, we will continue to look at further opportunities to bring creative talent into the business, in key scripted markets to take advantage of the demand for local scripted content.

Many of our scripted labels are creating and producing high-quality content with global appeal for free-to-air (FTA) and streaming platforms. In the UK this includes: Mammoth Screen, creators of The Serpent, McDonald & Dodds, and Noughts & Crosses; and World Productions creators of Line of Duty, Vigil, The Pembroke Murders and Bodyguard. In 2021, six of the top ten (including all of the top three) highest-rating dramas on UK television were produced by ITV Studios production labels.

Our established international scripted businesses are also performing well. Cattleya in Italy and Tetra Media Studio in France create and produce long-running and new critically acclaimed foreign-language dramas, including Paris Police 1900 and Balthazar in France, and Gomorrah, Suburra, and Romulus in Italy. Our newest international scripted labels, Windlight Pictures in Germany and Cattleya Producciones in Spain, as well as our majority stake in Appletree Productions in Denmark, will strengthen our scripted pipeline further. ITV Studios America is also seeing good momentum in its creative pipeline, and with output from recent talent deals starting to come through, such as Ten Year Old Tom from Work Friends, and Bedrock Entertainment's development slate, we now have more scripted hours in production in the US than ever before.

Global Distribution plays a key role in growing scripted value across the business. Global Distribution invests around £50 million each year (equating to around 200 hours of new scripted programming) in ITV Studios-produced content and selective third-party content (including A Year on Planet Earth and international spy drama The Ipcress File). Having the integrated producer-distributor relationship enables Global Distribution to make smart investment decisions around content funding, with a 360-degree approach. By finding co-production partners and licensees around the world for our scripted catalogue (of more than 22,000 hours), Global Distribution maximises the value of these projects over a long-term sales lifecycle. A key priority is looking at how we drive long-term revenues from new AVOD market entrants, as well as continuing to exploit new rights opportunities, such as through complete box sets.

Growing our Global Formats business

Our Global Formats business oversees our portfolio of some of the world's most successful entertainment formats that travel internationally, as well as maximising commercial opportunities from our IP. We are focused on expanding our existing high-value formats as well as supporting the creation of new formats.

Our portfolio of world-class brands include (number of countries the format has been sold to date included in brackets); The Voice (72 countries), Love Island (21 countries), The Chase (19 countries), Come Dine With Me (46 countries), Four Weddings (24 countries) and I'm A Celebrity...Get Me Out Of Here! (15 countries). These formats continue to sell and generate strong mass audiences for our clients; I'm A Celebrity...Get Me Out Of Here! in the UK attracted an average of 7.5 million TV viewers and was ITV main channel's biggest entertainment series of the year for 16-34s, whilst series ten of The Voice Australia attracted a national total audience 45% higher than the 2020 series and was Seven Network's biggest entertainment show launch since 2016 (having moved from the Nine Network where it aired for series one to nine).

As well as protecting our biggest brands, we are also focused on expanding our franchises with successful spin-offs which allows us to constantly evolve existing formats. Examples include The Voice which now has six spin-off versions as well as The Chase with Beat the Chasers, Come Dine With Me with Couples and Celebrity versions and I'm A Celebrity...Get Me Out Of Here! with the new castle format. We are also exploring production hubs, driving further sales of formats by supporting productions in a cost-effective and safe environment (e.g. Love Island, I'm A Celebrity...Get Me Out Of Here!).

Several new formats have recently been commissioned in our UK, US and International production bases that have the potential to be future global hits. These include UK formats: Moneyball, Sitting On A Fortune, and Rat in the Kitchen, which has had its first commission in the US, and is produced by ITV America (airing in March 2022). Our US formats include I'd Do Anything For Love which is being piloted in the US, also produced by ITV America. In 2021, across our Global Formats business, we sold 58 (2020: 56) different formats internationally, 15 of which were sold to three or more countries (2020: 14). By 2026, we expect to have 20 such formats that will be sold in three or more countries, with a view that one of these may be a significant new format like The Voice or Love Island.

Through our Global Distribution business, we are focused on exploiting our 68,000+ hour library of global unscripted content assets and maximising the value of primary and secondary windows with FTA, Pay TV, SVOD and AVOD customers. In addition, Global Distribution's sales team actively taps into market intelligence locally, such as indications around market trends, and feeds this back to the ITV Studios teams, to inform ITV Studios latest thinking around what the next potential hit format could be. This is another way in which having Global Distribution and Formats embedded in ITV Studios is incredibly valuable.

Further diversifying our customer base

As the demand from global and local streaming platforms grows, this presents a significant opportunity for ITV Studios to further diversify its customer base. In the US, we have strengthened our relationships with streaming platforms, having both scripted and unscripted development projects and commissions in place with all the major platforms. Looking ahead, in 2022, we expect a third of US unscripted revenues and around half of US scripted revenues to come from streamers. Our UK and International Studios (aside from Italy) remain more reliant on local broadcasters, and going forward they will harness the strength and position of the ITV Studios group and key creative talent, to develop their relationships with these platforms.

In 2021, 13% of total revenues came from streaming platforms (2020: 10%), which we aim to grow to 25% by 2026. Scripted and unscripted programmes sold to streamers included The Serpent (internationally), Snowpiercer (internationally), Good Witch (internationally), Cowboy Bebop, Summertime and Generation 56K all for Netflix, Physical for Apple TV+, Ten Year Old Tom for HBO Max, and Love Island Netherlands for Videoland. New commissions for future broadcast by streamers include a limited series based on the book, A Great Improvisation: Franklin, France, and the Birth of America for Apple TV+, Love Island US which moves to Peacock in 2022, Why Didn't They Ask Evans? for BritBox US, Canada and the UK, A Spy Amongst Friends for BritBox UK, along with several other titles in progress with Disney+, Apple TV+, Netflix, Hulu and Amazon. Revenue from original commissions sold to streamers was up 95% in 2021.

Whilst further diversifying our customer base with streamers is a key strategic priority for ITV Studios, this will impact our working capital in the future due to the upfront cash requirements and the extended payment profile from the streamers. It may also limit the ability for us to maximise margins on high-value scripted titles as streamers invariably want worldwide distribution rights for original commissions.

Attracting and retaining leading talent

A key part of ITV Studios investment strategy and pivotal to the business's success is its ability to attract and retain the best creative talent. ITV Studios offers talent a blend of creative independence, an entrepreneurial culture, the resources of a global studio business such as access to ITV Studios significant catalogue and in the UK, as an integrated producer broadcaster, a special relationship with ITV.

We continued to successfully strengthen our creative talent in 2021. In the UK, global hit format creators James Fox and Dom Waugh (creators of House of Games, All Together Now, Pointless, The Million Pound Drop) joined ITV Studios and launched a new entertainment label, Rollercoaster Television, to create and produce new formats for the UK and global markets. We also announced the launch of 5 Acts Productions in the UK, to be led by David P. Davis (executive producer of Industry), focusing on producing diverse drama for domestic and international markets.

In Europe, award-winning executive producer, Moritz Polter (executive producer of Das Boot, Arctic Circle) joined ITV Studios International to set up a new high-end scripted label in Germany called Windlight Pictures. In addition, renowned television executive and producer Arturo Díaz (credited for Las Chicas de Cable, Élite and Memorias de Ithaca), joined Cattleya to launch ITV's first Spanish scripted label, Cattleya Producciones. These deals enable ITV Studios to further meet the demand for premium European drama around the world.

In the US, ITV America and Blumhouse Television have entered into an exclusive overall deal for unscripted programming. Blumhouse will have a dedicated team working in collaboration with ITV America to create an entirely new slate of projects, develop new concepts and IP, as well as amplifying existing ITV IP and formats. The first project derived from the partnership is horror competition format, Escape the Maze. In addition, ITV America has extended its partnership with Jimmy Kimmel's company, Kimmelot, and currently has titles in production at Discovery, ABC, FOX, and Hulu.

All our recent talent partnerships and new labels are building strong development slates with many having projects underway with broadcasters, networks and streaming platforms globally.

ITV Studios financial performance in 2021

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
ITV Studios UK	683	535	148	28
ITV Studios US	372	234	138	59
ITV Studios International	407	343	64	19
Global Formats and Distribution*	298	263	35	13
Total ITV Studios revenue	1,760	1,375	385	28
Total ITV Studios costs	(1,545)	(1,223)	(322)	(26)
Total ITV Studios adjusted EBITA**	215	152	63	41
ITV Studios adjusted EBITA margin	12%	11%		

* 2020 includes the reclassification of £5m of gaming, merchandising and licensing revenue from M&E as part of the restructure. The impact on adjusted EBITA is nil.

** Includes the benefit of production tax credits. Refer to Alternative Performance Measures for key adjustments to EBITA and adjusted EBITA.

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
Sales from ITV Studios to M&E	583	472	111	24
External revenue	1,177	903	274	30
Total ITV Studios revenue	1,760	1,375	385	28

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
Scripted ¹	505	354	151	43
Unscripted	948	778	170	22
Core ITV ² and Other	307	243	64	26
Total ITV Studios revenue	1,760	1,375	385	28

¹ Includes high-end scripted and other scripted revenues

² Core ITV includes the soaps and daytime shows produced by ITV Studios for the ITV main channel.

ITV Studios saw strong revenue growth in 2021, with total revenue up 28% to £1,760 million (2020: £1,375 million), and external revenue up 30% to £1,177 million (2020: £903 million), with growth across all ITV Studios divisions. Total organic revenue at constant currency was up 31% (our definition of constant currency excludes acquisitions and assumes exchange rates remain consistent with 2020), with a £40 million unfavourable revenue impact from foreign exchange in the period.

When compared to 2019, prior to the COVID-19 pandemic, total ITV Studios revenue was down 4% (2019: £1,830 million, which includes the reclassification of gaming, merchandising and licensing revenue from M&E) and external revenue was down 6% (2019: £1,257 million). Assuming constant currency at 2019 rates, total 2021 ITV Studios revenue was down 2% compared to 2019, demonstrating the business' strong recovery in 2021.

Scripted revenue was up 43% to £505 million (2020: £354 million), with unscripted revenue up 22% to £948 million (2020: £778 million). There was a 26% increase in Core ITV revenues to £307 million (2020: £243 million), which primarily relates to soaps and daytime programming returning to normal volumes following the pause in production in 2020 due to COVID-19.

Reflecting our presence in key global production markets, 57% of ITV Studios revenue was generated outside the UK (2020: 55%). This was higher than the prior-year and reflects our strong growth in the US and international revenues. Further detail on the year-on-year movement in revenue is included in the sections that follow.

While ITV Studios revenue increased during the period, the number of hours delivered decreased by 6% to 6,700 hours (2020: 7,120 hours). This was largely driven by a year-on-year reduction in high volume unscripted titles predominantly in Europe, including programmes such as *Koffietijd* and *Lang Leve de Liefde* in the Netherlands.

ITV Studios adjusted EBITA was up 41% year-on-year at £215 million (2020: £152 million), with the adjusted EBITA margin at 12% (2020: 11%), despite a £5 million unfavourable impact from foreign exchange. During the period, there were investments of £13 million in line with our strategic priorities, which was more than offset by overhead cost savings of £18 million (£8 million of which are temporary and £10 million permanent). The ITV Studios margin continues to be impacted by costs associated with social distancing guidelines and health and safety protocols in productions. To help mitigate this we are looking at our property footprint, using technology and data to drive cost and revenue efficiencies, taking steps to digitise processes and using remote editing more routinely, particularly to reduce travel costs.

Compared to 2019, on a like-for-like basis (which includes the reclassification of gaming, merchandising and licensing from M&E), adjusted EBITA in 2021 was down 20% (2019: £269 million) which is partly due to the additional costs associated with COVID-19, along with 2019 including several high margin, multi-year deal renewals for *The Voice*.

ITV Studios UK

ITV Studios UK is made up of 28 production labels, with a diverse range of scripted and unscripted titles for broadcasters and streaming platforms. The business is built upon many long-running and recurring titles, the majority of which are sold to the M&E business for transmission on ITV's family of channels, ITV Hub and BritBox UK. The core portfolio includes daytime programmes such as *Good Morning Britain*, *This Morning*, *Loose Women*; the soaps *Coronation Street* and *Emmerdale*; and entertainment programmes, such as *The Voice*, *Love Island* and *I'm A Celebrity...Get Me Out Of Here!* Whilst the available network programme budget was higher year-on-year in 2021, ITV Studios UK's share of original content on ITV main channel was also up at 70% (2020: 68%).

In 2021, ITV Studios UK revenue was up 28% to £683 million (2020: £535 million), and also up 28% on an organic basis, driven by internal sales and the delivery of programmes that were delayed in 2020. Internal sales to M&E was up 24% in the year, driven by more episodes of the soaps, which were reduced in 2020 due to the pause in production; dramas such as *Grace*, *McDonald & Dodds*, *The Bay* and *Unforgotten*; and entertainment shows such as *The Cabins*, *Ready to Mingle* and *Beat the Chasers*.

Internal deliveries in the first half of 2022 include new and returning dramas; *The Suspect*, *Holding* and *Vera* and returning entertainment including the second series of *The Cabins*, *Dancing on Ice* and *Saturday Night Takeaway*.

Following the delay of planned deliveries in 2020, off-ITV revenue (productions for non-ITV channels in the UK) increased by 33%, with new and returning programmes including *Line of Duty*, *Vigil*, *The Outlaws* and *Showtrial* all for the BBC; and *Countdown* and *24 Hours* in A&E for Channel 4. Off-ITV deliveries in the first half of 2022 include *The Reckoning* and *The Graham Norton Show* for the BBC; and *24 Hours* in A&E and *Countdown* for Channel 4.

ITV Studios US

ITV Studios US is a scaled production business, providing content to all the major networks and cable channels in the US, along with every major SVOD platform. It has a good foundation of core programmes, including unscripted titles with multiple seasons and a high volume of episodes. It also produces premium scripted content, which combined with the output from our investment in scripted content over the last few years, has enabled the business to grow its presence significantly in a highly competitive market. This diversity of content and customer base enabled ITV Studios US to mitigate some of the impact seen from the pandemic.

ITV Studios US total revenue grew by 59% to £372 million (2020: £234 million) and 70% to £397 million when adjusted for the unfavourable foreign exchange impact, driven by both scripted and unscripted titles. Within ITV Studios America (scripted), deliveries included *Snowpiercer* S3 to TNT, *Ten Year Old Tom* to HBO Max, *Physical* to Apple TV+, a licensing deal for *Cowboy Bebop*, and *Good Witch* S7 to Hallmark. ITV America (unscripted) saw the delivery of new titles, including *My Mom*, *Your Dad* for HBO Max and *Rat in the Kitchen* set to air on TBS this year, along with returning titles such as *The Chase* for ABC, *Real Housewives of New Jersey* for Bravo, *Love & Marriage* for OWN, and *Forged in Fire* for History.

The development and commissioning pipeline for ITV Studios US in 2022 is strong; both ITV Studios America and ITV America have a number of projects in production or under development with existing and emerging streaming platforms as well as other traditional platforms. For ITV Studios America, these include *Snowpiercer* S4 for TNT, a limited series based on the book, *A Great Improvisation: Franklin, France, and the Birth of America*, and *Physical* S2 for Apple TV+, *Let The Right One In* for Showtime and *One Piece* for Netflix. Within ITV America, deliveries expected in 2022 include the return of *Hell's Kitchen* with two series in production for FOX and *Marry Me Now* for OWN, as well as *Bullsh*t The Game Show* for Netflix.

ITV Studios International

ITV Studios International has production bases in Australia, Germany, France, the Netherlands, the Nordics, Italy, Spain and Israel where we produce original scripted and unscripted content, as well as local versions of key formats developed through our Global Formats business. Growing our European scripted business allows us to benefit from the increasing demand for locally-produced content with global appeal, and we have several scripted projects in development with Amazon Prime, Netflix, Paramount+, HBO Max and Disney+.

Revenue within ITV Studios International increased by 19% to £407 million (2020: £343 million), and by 21% to £414 million when adjusted for the unfavourable impact of foreign currency. Growth was driven by deliveries, including *Summertime* S2 and *Generation 56k* for Netflix; the final season of *Gomorra* in Italy; and *Vise le Coeur* in France; *Nurses* in Australia; *My Gay Best Friend* in Germany; and *Love Island* in Germany and Australia.

In 2022 we will continue to focus on growing our European scripted business to allow us to benefit from the increasing demand for locally-produced content with global appeal. Deliveries expected in the first half of 2022 include returning series *Summertime* S3 (Netflix), *Petra* S2 (Sky Italia), and *Nero a Meta* S3 (Rai), all from Cattleya, *The Voice* in France, and *I'm A Celebrity...Get Me Out Of Here!* in Australia and Germany.

Global Formats and Distribution

Global Formats and Distribution revenues were up 13% year-on-year to £298 million (2020: £263 million), and by 16% to £305 million when adjusted for the unfavourable impact of foreign currency. Much of this increase was driven by our Global Distribution business which benefited from

the international distribution of Snowpiercer and The Serpent to Netflix, and the distribution of new scripted titles Line of Duty S6, Vigil and Grace. Finished tapes sales of unscripted formats were also strong, including The Voice, Love Island and The Chase, all delivering across multiple territories.

2022 should see an increased pipeline of new content for Global Distribution, including The Suspect, Litvinenko, and Karen Pirie along with returning scripted titles such as Snowpiercer, Romulus, and Vera.

Our Global Formats business has continued to strengthen its portfolio of successful entertainment and factual entertainment formats, with many new titles developed and commissioned during the year. In addition to those mentioned already, new formats that we expect to sell internationally in 2022 include My Mom Your Dad, Rat in the Kitchen and The Voice Generations.

Media & Entertainment

Media & Entertainment (M&E) is the home of ITV's family of channels and platforms. Through our Broadcast business, we operate the largest family of free-to-air commercial TV channels in the UK. They offer unique audience scale and reach, as well as targeted demographics demanded by advertisers.

Through our Streaming business, we operate our streaming platforms, which include; our advertiser-funded platform, ITV Hub, which appeals to viewers appetite for our VOD, catch up and simulcast content; and our subscription services, ITV Hub+ and BritBox UK, which allows viewers to access content however they choose to watch it. Data and technology are key to evolving our M&E business and driving revenue growth.

The COVID-19 pandemic accelerated many of the changes we were already seeing in the viewing and advertising landscape, presenting both challenges and opportunities. As we continue to mitigate the long-term impact of changing viewing patterns, we recognise that we need to retain and attract audiences, especially younger viewers, that are increasingly moving away from linear viewing to digital platforms.

The launch of ITVX in 2022, which will combine ITV Hub, ITV Hub+ and BritBox UK into a simplified and seamless integrated AVOD and streaming platform, is key to this. With a digital-first content strategy, it will significantly strengthen our offering to viewers and attract them however they choose to watch. We will leverage our investments to date in ITV Hub, BritBox UK, Planet V and data to drive digital viewing and revenue growth with a digital-first content proposition. Further detail on this is included in our Strategy section and in the sections that follow.

Continuing to deliver unrivalled audiences with high-quality programming

In 2021, ITV continued to inform and entertain the UK nation, providing audiences with high-quality programming across the full range of genres. ITV Family's share of commercial viewing (SOCV) (which is ITV's share of viewing compared as a proportion of all commercial ad-funded channels in the UK), is a new M&E KPI in the year and increased from 32.8% in 2020 to 33.1%. ITV main channel's share of viewing (SOV) (which includes the BBC) increased marginally in the year from 16.7% to 16.8%. Both benefited from the UEFA European Football Championships (Euros), the return of Love Island and a strong slate of new and returning dramas. ITV Family SOV was broadly flat year-on-year at 22.3% (2020: 22.2%).

While we had a strong schedule of drama, entertainment programmes and sport in the year, total ITV viewing (which combines live viewing of ITV channels, recorded and VOD) declined by 9%. Within this, live viewing of ITV channels saw the most significant decline, down 11%, impacted by the strong 2020 COVID-19 pandemic viewing comparatives, the easing of lockdown restrictions from Q2 2021, continued government COVID-19 updates and the strong news output on the BBC, and ITV's peak schedule, particularly on weekends, not performing as expected. Catch up and simulcast viewing via the ITV Hub was up year-on-year and helped offset some of this decline.

Total broadcaster TV viewing (live and catch up viewing to all broadcast channels, including TV VOD) declined by 10% in the year, which was marginally behind ITV's total viewing. Total TV set viewing, which includes unmatched viewing (content that cannot be matched to broadcast TV, such as streaming platforms, YouTube, games consoles) declined by 7%. This was less than the decline in broadcast TV viewing and was driven by an increase in viewing on streaming platforms during the period (Source: BARB).

On ITV main channel, Coronation Street and Emmerdale maintained their position as the UK's two largest soaps. We successfully aired a range of new programmes, including three of the top five most-watched new dramas being The Pembroke Murders, Grace and Finding Alice; successful returning dramas such as The Bay and Unforgotten, which both saw their biggest series to date; some of the most-watched entertainment shows, including The Masked Singer, I'm A Celebrity...Get Me Out Of Here! and An Audience with Adele; the most-watched current affairs programme, the Oprah with Harry and Meghan interview; and successful factual programming including Kate Garraway: Finding Derek, and Bradley & Barney Walsh: Breaking Dad. Our daytime shows continued to perform well and we had a return of live sport, including the Rugby Six Nations Championships, horse racing, and the Euros, which drove significant live audiences, with the England v Denmark semi-final peaking at 27.6 million viewers and was the biggest programme of the year. Our news programming continued to perform well, with our weekday afternoon and early evening bulletins increasing their share year-on-year. Viewing in the year was impacted by the decision to cancel this year's series of Britain's Got Talent due to the risks to filming under COVID-19 restrictions, however, it will return in 2022. In addition, our autumn Saturday night schedule was challenging and did not perform as well as expected.

On ITV2, while viewing volumes were down 5%, SOV and SOCV for 16-34s were up 18% and 7% respectively, helped by new entertainment series, The Cabins, which has been recommissioned for a second series, the return of the summer series of Love Island, and The Social Media Murders, which was the first new true-crime series for ITV2 and ITV Hub. ITV2 remained the most-watched digital channel for 16-34s for the fifth year in a row.

On ITV3, ABC1 adults SOV was down 6% in the year, due to the high levels of viewing in 2020 with many of our classic dramas such as Downton Abbey, Midsomer Murders and Endeavour having a decline in viewing year-on-year. Despite this, ITV3 was still the most-watched digital channel in 2021 for both all individuals and ABC1 Adults.

On ITV4, Male SOV was flat, with good viewing for sport, which included horse racing and a range of group-stage matches in the Euros.

We have an exciting schedule on the ITV Family of channels in the first half of 2022 with new and returning dramas, including: The Ipcress File, Holding, Tell Me Everything, and The Bay; and new and returning entertainment, including Starstruck, Romeo & Duet, The John Bishop Show and Saturday Night Takeaway. Our sporting schedule includes the FA Cup, Premiership Rugby, England Women's football qualifiers and friendlies, and the FIFA World Cup. We are also extending our commitment to our national and international weekday evening news by increasing its length from 30 minutes to one hour.

Streaming viewing hours (which measures the total number of hours viewers are spending across our AVOD and SVOD services) was up 22% year-on-year to 1,048 million (2020: 856 million), with monthly active users (MAUs) up 19% to 9.6 million (2020: 8.1 million). This benefited from growth in viewing on BritBox UK, along with strong viewing on ITV Hub for our soaps, the Euros, Love Island and our dramas, with the full series of many of our dramas being made available on ITV Hub before being broadcast on linear. 2021 saw the number of programmes getting over one million viewers on ITV Hub doubling year-on-year, with The Bay being the most-watched drama, Oprah with Meghan and Harry being the most-watched programme and Love Island having one of its biggest series with over 200 million streams.

Dwell time on ITV Hub, which measures the average time spent viewing per session across all platforms, was up 14% in the year. Simulcast viewing hours were up 38%, as more viewers used ITV Hub as a destination for live viewing via connected TVs and streaming devices, particularly for coverage of the Euros.

Our operational performance on ITV Hub during 2021 has been strong with more people watching our content, more often and for longer. This continued growth is key as we focus on accelerating our actions to drive video on demand (VOD) viewing and the commercial proposition with the launch of ITViX. Further details are included in the ITViX section.

Strong linear and online advertising proposition

We have seen a resurgence in total advertising spend since the end of Q1 2021, with advertisers across the majority of categories increasing their spend year-on-year. While there has been a strong tailwind from the rebound of the economy as COVID-19 pandemic restrictions were relaxed, we believe that the significant increase may be beyond a cyclical recovery and could be seen as a renaissance in TV advertising. Our Commercial team has continued to deepen its strategic relationships with clients and work more collaboratively with them, using data-driven insights to demonstrate the power of television, and advertising with ITV.

Over the last year we have: successfully brought new advertisers to television; encouraged existing digitally mature advertisers to rediscover TV and increase their spend and provided innovative ways for brands to advertise on television, such as through advertiser-funded programme (AFP), commercial partnerships, product placement and sponsorship, using the power of our brands to help advertisers engage with audiences in different ways. This is made possible and more valuable by being an IPB, with editorial, commercial, creative and production working together to provide valuable opportunities for advertisers.

Our product placement deals during the year included Purple Bricks in Coronation Street and TikTok in Saturday Night Takeaway. In July we had an AFP for our new prime-time entertainment show, Cooking with the Stars, with M&S helping to fund the production, with promotion across ITV, in-store and online, with extensive products and merchandise available for purchase. In addition, the summer version of Love Island had a record number of commercial partnerships, engaging in programme sponsorship, brand licences, in-store branding and product placement, including Just Eat, Boots, JD Sports, Spotify, and I Saw It First.

We no longer charge advertisers late booking penalties or for making amendments to existing campaigns to give advertisers as much flexibility as possible. This, alongside the deflation in the price of advertising during Q2 2020, has helped many advertisers re-evaluate the brand-building capabilities of TV, many of which came to TV during the pandemic for the value and have stayed because of the results it delivers.

Television remains an efficient and effective medium for advertisers to achieve mass reach and in 2021, ITV Family delivered 92% of all commercial audiences over three million and 93% over five million. Our new M&E KPI for our share of the top 1,000 commercial broadcast TV programmes, was 93% in 2021, which was flat year-on-year. As viewing and advertising become more fragmented, the scale and reach of advertising that television, and particularly ITV, delivers becomes increasingly valuable, and as we evolve our strategy, our Broadcast business will continue to optimise its USP as the largest commercial public service broadcaster in the UK.

ITV provides a safe, trusted, measured and transparent environment in which to advertise, and television generates the highest return on investment of any media. With the proven return on investment which television offers, our Commercial team has several initiatives in place to attract new advertisers to ITV. These include the following, which have helped attract nearly 700 new to TV advertisers to ITV in 2021:

- ITV AdVentures Ignite is aimed at encouraging digitally native brands to advertise on television for the first time. During the year this included online mortgage comparison site Dashly, and natural pet food company Scrumbles. Butternut Box, a subscription service dog food brand returned to ITV after a successful on-air campaign in 2020.
- ITV AdVentures Invest is ITV's Media for Equity programme which launched during the first half of 2021 and involves ITV taking minority stakes in early-stage digital and direct-to-consumer businesses, in return for advertising inventory across ITV's channels and the ITV Hub. The initiative serves as an innovative opportunity for these businesses to build scale through TV advertising, alongside a strategic media partner. Investments to date include; menswear brand, SPOKE; location service, what3words; household bills saving platform, ismybillfair; and online health brand, Feel.
- ITV Ad Labs brings together all of ITV Commercial's innovation, which includes Digital Products, Digital Partnerships and Strategic Insight, encapsulating the various products and developments that ITV's Commercial team have been trialling and bringing to the market. This includes Dynamic Creative advertising on Planet V, widening the reach of Shoppable, and launching new commercial models with partners including Twitter. We are also bringing ITV's IP into the Metaverse - the John Lewis' Christmas campaign involved a bespoke I'm A Celebrity...Get Me Out Of Here! experience in Fortnite Creative. It included John Lewis inspired games and a branded shop, and was the first time ITV IP had been integrated with advertiser content in the Metaverse.
- ITV Backing Business, which makes it as flexible as possible for British businesses to advertise on television, with ITV providing them with marketing support and a wealth of resources to help them return to growth. The team worked with brands during the year, including NatWest – which has seen a 10% increase in SME account openings as a result, along with Juicy Couture, Weleda and HiHi.

- ITV Home Planet is ITV's initiative for sustainable brands to encourage viewers to reduce their carbon footprint. Brands that were advertised in the year included Quorn (meat substitute brand) and WWF. There was a 'Green Scenes' advertising break takeover in Coronation Street to mark World Environment Day. Brands involved included Volkswagen, Ribena and Sainsbury's. We also partnered with Nationwide to create a three-part AFP series for Climate Action week in the lead up to COP26 in November.

Online video advertising on the ITV Hub delivers targeted demographics in a high-quality, trusted and measured environment for advertisers. The demand for advertising during the period was strong, up 41%, and we had over 400 VOD only advertisers in the year. Planet V, our scaled programmatic addressable advertising platform, has been rolled out to all the large agencies, with over 1,000 users and more than 90% of ITV's inventory is booked through the platform. It is now the UK's second-largest programmatic video advertising platform, after Google.

Planet V is designed and deployed as a self-service platform for advertisers and agencies, enabling them to plan and buy ITV Hub inventory seamlessly and cost-effectively, create bespoke audiences, add their first-party data and monitor their campaigns via a custom-built user interface. There are 10,000+ data points for targeting within Planet V, which enables our Commercial business to offer clients the best of both worlds: mass audiences with simultaneous reach on linear channels, and addressable targeting at scale around our premium inventory on the ITV Hub.

In 2020 we invested in InfoSum, a data and identity infrastructure company, to augment Planet V's first-party data capabilities. We piloted a DataMatch product through our new AdLabs initiative, across key categories in 2021, and early return on investment results were positive, with nearly £2.50 for every £1 spent on the bespoke DataMatch audiences. We intend to automate and scale our DataMatch product in 2022. This allows for smarter targeting and measurement across ITV's premium video inventory, providing the capability to build new and more powerful audience segments, at scale and unique to each advertiser.

We also partnered with technology specialist Cablato on a dynamic creative product that allows advertisers to dynamically tailor creative treatments according to any number of data signals used for targeting in Planet V. The Army were the first advertiser to trial the solution to highlight the local proximity of its extensive network of Army reserve centres. We also released a real-time weather targeting product which enables drinks brands, grocers, online takeaways, hayfever remedies etc, to capitalise on sudden changes in weather patterns, such as rain, temperature, or pollen count.

To provide more insight into the effectiveness of television advertising, ITV has joined Channel 4 and Sky to launch a new total television advertising measurement system in the UK. CFlight (designed by NBCU in the US) is a post-campaign online evaluation tool, using combined linear television and Broadcaster VOD (BVOD) data to show advertisers and media agencies what the overall advertising exposure is for television advertising, including reach and frequency metrics. This will give advertisers and agencies a unique view of the coverage achieved by their commercial campaigns across both linear and BVOD. We expect this to be available in early 2022.

Growing and enhancing our AVOD and streaming proposition

ITV Hub

The ITV Hub has 34.7 million registered user accounts (2020: 32.6 million) and is available on 29 consumer-facing platforms.

Investment in the ITV Hub remained a key part of ITV's More Than TV strategy during the year. We continued to enhance and improve the user experience and content to make it a destination for viewers, not just a catch up service: redesigned the interface to improve the overall user experience; increased personalisation with recommendations and curated content rails; worked to improve prominence; and extended distribution.

We have focused on strengthening the content offering by doubling the number of hours on the service, particularly in drama and reality; and have extended the catch up window; increased the number of drama series available in full on the ITV Hub when the first episode launches on linear – such as Finding Alice, The Bay and Angela Black; increased the volume of short-form content; extended the availability of dynamic advertising insertion; and improved the curation of content using our vast archive.

During the Euros, for the first time, we put all episodes of Coronation Street and Emmerdale for the week ahead on the ITV Hub, giving audiences the option to watch at their convenience. Our newly redesigned ITV News website is now available through Facebook News and Apple News, and it recently won National News Site of the Year with The Drum. Our investment has helped to drive an increase in online viewing and monthly active users in the year.

ITV Hub+

The ITV Hub+ offers an ad-free subscription version of the ITV Hub with content download capability. The number of subscriptions¹ at the end of December 2021 was c.513,000 which was an increase of 26% year-on-year (2020: c.408,000). We have seen good growth in subscriptions through our distribution of ITV Hub+ on Amazon channels, along with our strong programming schedule in the year, particularly Love Island and our dramas.

1. Subscriptions – entitled users of ITV streaming services, which includes those who pay ITV directly, those who are paid for by an operator, and free trialists.

BritBox

BritBox UK saw strong growth during the year with subscriptions increasing by over 45% to c.733,000 despite the loosening of lockdown restrictions in Q2 (2020: 500,000). Churn rates have halved since launch as the subscription base matures, and the distribution of BritBox UK was extended to Amazon Prime Video Channels and Xbox, which makes it accessible in over 90% of VOD homes. During the year BritBox UK saw a strong pipeline of new original content, including The Beast Must Die, Secrets of the Krays and Crime, which was selected in the Daily Telegraph's top ten dramas of the year. Spitting Image also returned for its second series. 2022 will have several new scripted originals including Hotel Portofino, Magpie Murders and Murder In Provence, along with the recommission of Sanditon for two series with BritBox as the UK streaming partner.

Our international BritBox joint venture with the BBC is currently available in the US, Canada, Australia, and South Africa and provides an ad-free streaming service offering the most comprehensive collection of British content available in those territories. Subscriptions have grown strongly, and we now have over 2.4 million BritBox subscriptions internationally.

We expect to continue to roll-out BritBox internationally and by 2030, we expect to have 10 to 12 million international subscriptions. The service is on track to launch in the Nordics in the first half of 2022. Our funding for the next phase of the roll-out will be from our share of BritBox US cash flows, which is a profitable service, and we will undertake a full business case review for each territory before deciding to launch.

Across all our streaming services (including ITV Hub+) we now have over 3.6 million subscriptions globally.

ITVX

Our successful strategic, financial and operational performance to date across our AVOD and streaming services have helped lay the foundations for our digital acceleration within M&E. We have delivered on our key priorities through the investments we have made over the last three years around ITV Hub, Planet V, BritBox UK and data and technology, and we will leverage our scale, brand and experience as we move into the second phase of our strategy.

We intend to supercharge our streaming viewing and revenues, with the formation of a new integrated streaming service ITVX in Q4 2022. It will be an AVOD led service with a compelling SVOD proposition, providing a simplified and seamless viewer experience with a digital-first content supply, attracting those audiences who do the majority of their viewing on digital services. It combines the ITV Hub, ITV Hub+ and BritBox UK into a free and premium content offering, capitalising on the investments we have made to date.

To support our ambitions for ITVX, in 2022, we will invest £1.23 billion in content across linear, AVOD and SVOD. This will increase to £1.35 billion in 2023 and we expect total content spend to continue at around this level going forward. Our one content budget includes our existing network schedule budget, our content budget previously allocated to BritBox UK, along with incremental content investment for ITVX. We will invest in high-quality, trusted content across a wide range of genres, including large family entertainment shows, sport, drama, factual and news which will drive simulcast viewing on ITVX and mass audiences on linear channels. In addition, our digital-first strategy for ITVX will offer viewers new and exclusive shows every week; box sets made available in their entirety at the same time as linear transmission; FAST channels; acquired content and content partnerships and archive content.

In 2022 and 2023 there will also be non-content investment for ITVX, which includes costs that will be ongoing in our cost base and covers our data and technology capabilities and variable streaming costs. In 2022 and 2023 this will be £25 million. Variable costs of streaming will continue to rise thereafter as streaming viewing increases. These costs will be offset by additional permanent cost savings in 2026.

In addition, there will be one-off costs of £20 million related to the launch of ITVX in 2022, reducing to £10 million in 2023.

Total non-content investment in ITVX for 2022 will therefore be £45 million in 2022 and £35 million in 2023.

ITVX will combine the experience of our linear advertising proposition with the precision of addressable to fully monetise the value of our digital audiences. We will have the opportunity to provide a more targeted offering through scaled addressable advertising inventory not previously available, using our established data and analytics capabilities to drive higher-value data-driven pricing models. The combination of our data-driven models and one content budget will enable significant flexibility to optimise viewing and revenue.

We are developing our linear addressable capabilities and look to test linear addressable advertising via IP delivery during 2022. This opportunity will allow us to capture new brands in the long tail of advertisers who cannot afford mass reach linear campaigns.

We will also provide a clear and compelling subscription upselling path between AVOD and streaming for our viewers.

M&E financial performance

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
Total advertising revenue	1,957	1,577	380	24
Subscription revenue	42	27	15	56
SDN	70	73	(3)	(4)
Partnerships and other revenue*	213	208	5	2
M&E non-advertising revenue	325	308	17	6
Total M&E revenue	2,282	1,885	397	21
Content costs	(1,154)	(979)	(175)	(18)
Variable costs	(127)	(115)	(12)	(10)
M&E infrastructure and overheads	(403)	(370)	(33)	(9)
Total M&E costs	(1,684)	(1,464)	(220)	(15)
Total M&E adjusted EBITA**	598	421	177	42
Total adjusted EBITA margin	26%	22%		
BritBox UK venture loss***	(61)	(59)	(2)	(3)
Adjusted EBITA M&E (ex BritBox UK)	659	480	179	37
Adjusted EBITA margin (ex BritBox UK)	29%	25%		

* As part of the M&E restructure gaming, live events and merchandising revenues have been reclassified to ITV Studios. The impact is a £5 million decrease to 2020 Other revenue, the impact to adjusted EBITA is £nil.

** Refer to Alternative Performance Measures for key adjustments to EBITA and adjusted EBITA.

*** BritBox UK venture loss includes the cost of advertising on ITV and the acquisition of programmes from ITV Studios. The venture loss better reflects the stand-alone performance of BritBox.

The M&E income statement reflects the new reporting structure for the business following the evolution of the M&E strategy. It reflects how management views the business and will monitor its future performance. We have reclassified certain revenue streams and restated the comparatives – further detail on this follows.

M&E total revenue was up 21% in the year at £2,282 million (2020: £1,885 million). This increase was predominantly driven by total advertising revenue which was up 24% to £1,957 million (2020: £1,577 million). Within this, VOD advertising revenue was up 41%. Our new M&E KPI for digital revenue, which includes revenue from AVOD, digital sponsorship and our subscription services, was up 40% in the year to £347 million (2020: £248 million). M&E non-advertising revenues were up 6% in the year to £325 million (2020: £308 million) with growth across most areas. Further detail on the year-on-year movement in revenue is detailed below.

When compared to the same period in 2019, M&E revenue, on a like-for-like basis, was up 11% (2019: £2,055 million) largely due to the increase in TAR and BritBox UK subscriptions.

Total costs within M&E were up 15%, primarily driven by increased content costs, which were up 18% to £1,154 million (2020: £979 million) due to higher content costs compared to the prior year which was significantly impacted by the pandemic. 2021 included the rescheduled Euros, a normal schedule of the soaps, which were reduced in Q2 2020 due to the pause in production, and several scripted titles that had been delayed into 2021.

Variable costs were up 10% at £127 million (2020: £115 million), mainly driven by increased marketing for our content, which was significantly reduced in the prior year, an increase in bandwidth costs associated with the growth in ITV Hub viewing, along with higher marketing costs for BritBox UK, which had several originals during the year, and additional costs associated with our creative commercial partnerships.

M&E infrastructure and overhead costs increased by 9% to £403 million (2020: £370 million), due to the provision for the 2021 staff bonus, which was cancelled in 2020, higher share costs associated with our employee incentive share schemes, along with investments of £11 million in data, the ITV Hub, ITV Hub+ and technology in line with our strategic priorities. This was partly offset by £30 million of cost savings realised across M&E (£3 million of which are temporary and £27 million are permanent).

The net investment in BritBox UK in the period was £48 million (2020: £49 million) with venture losses of £61 million (2020: £59 million), both of which were in line with our guidance.

M&E adjusted EBITA (excluding BritBox UK) was up 37% to £659 million (2020: £480 million), with a margin of 29% (2020: 25%). Total M&E adjusted EBITA (including BritBox) was up 42% to £598 million (2020: £421 million), with a 26% margin (2020: 22%). Total M&E adjusted EBITA in 2021 grew 30% compared to the same period in 2019 on a like-for-like basis, (2019: £460 million), with the margin up four percentage points (2019: 22%), predominantly due to the impact of higher TAR.

Reclassification of revenue and costs in 2021 and 2020

Revenue

Following the M&E restructure and the evolution of the M&E strategy, the reporting of the M&E income statement has changed to better reflect how management views the business and measures its performance.

As a result, the Direct to Consumer (DTC) revenue line will no longer exist and this revenue stream has been renamed to Subscription revenue and will only include revenue associated with our streaming services. Our competitions revenue which was previously within DTC will now be included in Partnerships and other revenue.

Similarly, our BritBox UK subscription revenue which was previously included in Partnerships and other revenue, will be within Subscription revenue.

Our 2020 comparatives have been adjusted to reflect the reclassification with the impact being a net movement of £55 million between Subscription revenue (previously DTC) and Partnerships and other revenue.

Costs

There is now only one content budget allowing us to optimise our windowing strategy to optimise our viewing and revenues and create the most value for ITV. To reflect this change, we have renamed Network schedule costs to Content costs. This will also include content costs for BritBox UK which were previously within variable costs.

The 2020 comparatives reflect the reclassification of BritBox UK content costs from variable costs, being a net movement of £44 million.

Total advertising revenue (TAR)

The start of 2021 saw TAR down 6% in Q1 due to strong comparatives, and the impact of full UK lockdown restrictions in January and February 2021. From March onwards, advertising trends were positive, with a rebound in demand from advertisers resulting in Q2 being up 89%, Q3 up 32% and Q4 up 13%, with the full year up 24%, and the highest outturn in ITV's history.

Most advertising categories increased their spend during the year, with categories such as Retail, Entertainment & Leisure – particularly gaming during the Euros – and Publishing and Broadcasting seeing a significant rise year-on-year. Airlines and Travel remained the hardest-hit category due to ongoing travel restrictions in the UK and globally during the year.

Spend from online brands (excluding gambling) also increased significantly during the period, up 28%, with additional spend by food delivery brands, global online platforms and online-only retailers, who have benefited from more people being at home.

VOD advertising revenue on the ITV Hub was up 41% in the year with continued strong demand from advertisers, particularly around the Euros, Love Island and drama.

We have seen the positive trajectory from 2021 continue into the first quarter of 2022, with TAR expected to be up around 16%, against weaker comparatives in January and February 2021. April is expected to be up around 10%. Categories such as Cosmetics & Toiletries, Finance and Entertainment & Leisure have been strong in the quarter with Travel and Airlines significantly increasing their spend year-on-year following the relaxation of COVID-19 travel restrictions in the UK and many other countries. Q2 2022 will be impacted by tough advertising comparatives, which in 2021, saw a strong rebound from May onwards, along with the Euros in June.

Subscription revenue

Subscription revenue is generated directly from our streaming services and includes ITV Hub+ and BritBox UK. It does not include BritBox International, which is included within JVs and Associates.

In 2021, subscription revenue increased by 56% to £42 million (2020: £27 million) driven by good growth in both BritBox UK and ITV Hub+ subscriptions which both benefited from a strong content pipeline in the year.

In 2022, this will include revenue from our premium tier of ITVX, our new integrated streaming service, which will include the migration of ITV Hub+ and BritBox UK subscriptions.

SDN

SDN generates revenue by licensing multiplex capacity to broadcast channels, radio stations and data providers on digital terrestrial television (DTT) or Freeview.

SDN customers include ITV and third parties, with external revenue (non-ITV) decreasing by 4% in the year to £70 million (2020: £73 million), impacted by the renewal of a long-term contract with a third party which reverted to current market rates.

In 2022 and 2023, several long-standing contracts which were agreed at the peak of the DTT capacity market ten years ago will come to an end, which we expect to revert to current market rates.

SDN's current multiplex licence expires towards the end of 2022. The government has given Ofcom the power to renew the SDN licence until 2034. Following this decision, we await the renewal from Ofcom, which we expect during 2022.

Partnerships and other revenue

Partnerships and other revenue includes revenue from platforms, such as Sky and Virgin Media O2, competitions revenue, third-party commission, e.g. for services we provide to STV, and commercial revenue from our creative partnerships.

Partnerships and other revenue was up 2% year-on-year to £213 million (2020: £208 million) predominantly due to an increase in third-party commission as a result of the corresponding increase in NAR during 2021. In addition, revenue from our creative partnerships grew, driven by creative campaigns produced for Marks & Spencer and The People's Lottery. This was partly offset by a decrease in our competitions revenue which had strong comparatives due to: more people viewing our programmes, particularly daytime, and entering competitions at the peak of the pandemic; and the absence of Britain's Got Talent from the schedule in 2021. Our competitions portal, ITV Win, continues to do well, with an increasing proportion of competitions revenue being generated through it.

We continue to build strong partnerships in the UK and internationally and during the year renewed our long-term commercial partnerships with Sky and Virgin Media O2.

In addition, ITV, together with the BBC and C4, brought together Digital UK and Freesat into a single, public service broadcaster (PSB) owned venture. It will benefit from a more streamlined approach to technological innovation and product development, helping to ensure viewers continue to have access to a range of high quality, free-to-view TV services in the UK.

Alternative Performance Measures

The Annual Report and Accounts includes both statutory and adjusted measures (Alternative Performance Measures or APMs), the latter of which, in management's view, reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

Our APMs and KPIs are aligned with our strategy and business segments and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, they could distort the understanding of our performance for the period and the comparability between periods. APMs are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

As adjusted results exclude certain items (such as significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance. The exclusion of other adjusting items may result in adjusted earnings being materially higher or lower than statutory earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, adjusted earnings will be higher than statutory earnings.

The Audit and Risk Committee has oversight of ITV's APMs and actively reviews, revises and approves the policy for classifying adjustments and exceptional items. Further detail is included in the following section.

Key adjustments for EBITA, adjusted EBITA, profit before tax and EPS

EBITA is calculated by adjusting operating profit for operating exceptional items and amortisation and impairment. Adjusted EBITA is calculated by adding back high-end production tax credits to EBITA. Further adjustments, which include the gain/loss on the sale of non-current assets, amortisation and impairment of assets acquired through business combinations and investments, and certain net financing costs, are made to remove their effect from adjusted profit before tax and adjusted EPS. The tax effects of all these adjustments are reflected in the adjusted tax charge. These adjustments are detailed below.

Production tax credits

The ability to access tax credits, which are rebates based on production spend, is fundamental to our ITV Studios business when assessing the viability of investment in decisions, especially with regards to high-end drama. ITV reports tax credits generated in the US and other countries (e.g. Italy, Canada and Spain) within cost of sales, whereas in the UK tax credits for high-end drama must be classified as a corporation tax item. However, in our view all tax credits relate directly to the production of programmes. Therefore, to align treatment, regardless of production location, and to reflect the way the business is managed and measured on a day-to-day basis, these are recognised in adjusted EBITA. Our cash measures, including profit to cash conversion and free cash flow are also adjusted for the impact of production tax credits.

Exceptional items

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. They are typically material amounts related to costs, gains or losses arising from events that are not considered part of the core operations of the business, though they may cross several accounting periods. These include, but are not limited to, costs directly related to acquisitions, costs related to major reorganisation and restructuring programmes, material onerous contracts, significant impairment of sports rights, the impact of COVID-19 in 2020, and other items such as non-routine legal costs (e.g. legal costs related to items which are themselves considered to be exceptional items). We also adjust for the tax effect of these items. Further detail is included in note 2.2 to the financial information.

Acquisition-related costs

We structure our acquisitions with earnouts or put and call options, to allow part of the consideration to be based on the future performance of the business as well as to lock in and incentivise creative talent. Where consideration paid or contingent consideration payable in the future is employment-linked, it is treated as an expense (under accounting rules) and therefore part of our statutory results. However, we exclude all consideration of this type from adjusted EBITA, adjusted profit after tax and adjusted EPS as, in our view, these items are part of the capital transaction and do not form part of the Group's core operations. The Finance Review explains this further. Acquisition-related costs, including legal and advisory fees on completed deals or significant deals that do not complete, are also treated as an expense (under accounting rules) and therefore on a statutory basis form part of our statutory results. In our view, these items also form part of the capital transaction or are one-off and material in nature and are therefore excluded from our adjusted measures.

Major restructuring and reorganisation programme costs

Where there has been a material change in the organisational structure of a business area or a material initiative, these costs are highlighted and are excluded from our adjusted measures. These costs arise from significant initiatives to reduce the ongoing cost base and improve efficiency in the business to enable the delivery of our strategic priorities. We consider each project individually to determine whether its size and nature warrant separate disclosure.

Material onerous contracts

A contract is considered onerous when the unavoidable costs of the contract exceed the revenues associated with it. In 2021 and 2020, we have had material onerous transmission contract provisions relating to committed costs of transmission capacity on satellite transponders that are no longer used in the M&E business. There are no revenues associated with this capacity as there are no channels on the relevant satellite transponders.

Impairment of sports rights

COVID-19 impacted our planned 2020-21 sporting schedule. This combined with the consequential impact on TAR, changing forecasts of audience mix and revenues for certain sporting events resulted in a material impairment to our sports rights in 2020. Further adjustments to the provisions to reflect updated forecasts have been made in 2021.

COVID-19 related costs

These are direct incremental costs incurred exclusively in 2020 as a result of COVID-19 and include: costs associated with the closure of ITV Studios productions and their subsequent restart in a safe environment, and additional costs incurred to maintain the production of daytime and news programming during the government imposed lockdown. We incurred no costs directly related to COVID-19 in 2021.

Reconciliation between statutory and adjusted results

Twelve months to 31 December	2021 Statutory £m	2021 Adjustments £m	2021 Adjusted £m	2020 Statutory £m	2020 Adjustments £m	2020 Adjusted £m
EBITA ¹	784	29	813	561	12	573
Exceptional items (operating) ²	(196)	196	–	(118)	118	–
Amortisation and impairment ³	(69)	49	(20)	(87)	68	(19)
Operating profit	519	274	793	356	198	554
Net financing costs ⁴	(50)	19	(31)	(44)	8	(36)
Share of profits on JVs and associates	12	–	12	9	–	9
(Loss)/Gain on sale of non-current assets, subsidiaries and investments	(1)	1	–	4	(4)	–

Profit before tax	480	294	774	325	202	527
Tax ⁵	(92)	(61)	(153)	(44)	(51)	(95)
Profit after tax	388	233	621	281	151	432
Non-controlling interests	(10)	–	(10)	4	–	4
Earnings	378	233	611	285	151	436
Shares (million), weighted average	4,005		4,005	4,002	–	4,002
EPS (p)	9.4p		15.3p	7.1p	–	10.9p
Diluted EPS (p)⁶	9.3p		15.1p	7.1p	–	10.8p

1. £29 million (2020: £12 million) adjustment relates to production tax credits which we consider to be a contribution to production costs and working capital in nature rather than a corporate tax item. EBITA is not a statutory measure.

2. Exceptional items of £196 million (2020: £118 million) largely relate to acquisition-related costs and includes a £108 million adjustment to the earnout payment in relation to Talpa following the final determination. Refer to the Finance Review.

3. £49 million (2020: £68 million) adjustment relates to amortisation and impairment of assets acquired through business combinations and investments. We include only amortisation on purchased intangibles, such as software, within adjusted profit before tax.

4. £19 million (2020: £8 million) adjustment is £9 million for non-cash interest cost and £10 million exceptional interest payable on the Talpa exceptional acquisition-related expense. This provides a more meaningful comparison of how the business is managed and funded on a day-to-day basis.

5. Tax adjustments are the tax effects of the adjustments made to reconcile profit before tax and adjusted profit before tax. A full reconciliation is included in the Finance Review.

6. Weighted average diluted number of shares in the period was 4,051 million (2020: 4,025 million).

Amortisation and impairment

Amortisation and any initial impairment of assets acquired through business combinations and investments are not included within adjusted earnings. As these costs are acquisition-related, and in line with our treatment of other acquisition-related costs, we consider them to be capital in nature as they do not reflect the underlying trading performance of the Group. Amortisation of software licences and development is included within our adjusted profit before tax as management consider these assets to be core to supporting the operations of the business.

Net financing costs

Net financing costs are adjusted to reflect the underlying cash cost of interest for the business, providing a more meaningful comparison of how the business is managed and funded on a day-to-day basis. The adjustments made remove the impact of mark-to-market gains or losses on swaps and foreign exchange, one-off fees and premiums relating to the buyback of bonds, exceptional interest on acquisitions, imputed pension interest and other financial gains and losses that do not reflect the relevant interest cash cost to the business and are not yet realised balances.

Other Alternative Performance Measures

Total revenue

As an integrated producer broadcaster, we look at the total revenue generated by the business including internal revenue, which is the sale of ITV Studios programmes to M&E. ITV Studios selling programmes to the M&E business is an important part of our strategy as an integrated producer broadcaster and it ensures we own all the rights to the content.

A reconciliation between external revenue and total revenue is provided below.

Twelve months to 31 December	2021 £m	2020 £m
External revenue (Reported)	3,453	2,781
Internal supply	589	479
Total revenue (Adjusted)	4,042	3,260

Net pension deficit/surplus

This is our defined benefit pension scheme surplus or deficit under IAS 19 adjusted for other pension assets, mainly gilts, which are held by the Group as security for future unfunded pension payments for four Granada executives and over which the unfunded pension scheme holds a charge. See note 3.6 to the financial information.

Profit to cash conversion

This is the measure of our effectiveness of cash generation used for working capital management. It is calculated as our adjusted cash flow as a proportion of adjusted EBITA. Adjusted cash flow, which reflects the cash generation of our underlying business, is calculated on our statutory cash generated from operations and adjusted for exceptional items, net of capex on property, plant and equipment and intangible assets, and including the cash impact of high-end production tax credits.

Adjusted free cash flow

This is our measure of adjusted free cash flow after we have met our financial obligations. It takes our adjusted cash flow and removes the impact of net interest, adjusted cash tax (which is the total tax paid adjusted to exclude the receipt of production tax credits) and pension funding. A full reconciliation is included in the Finance Review.

Covenant net debt and covenant liquidity

Covenant net debt is our leverage as defined in the revolving credit facility (RCF) agreement, which existed at 31 December 2021 (and has since been redeemed and replaced). This calculation is materially different to how we define net debt and is relevant in demonstrating we have met the required RCF financial covenants at our reporting date.

	31 December 2021 £m	31 December 2020 £m
Net debt (including IFRS 16 lease liabilities)	(414)	(545)
Impact of IFRS 16 lease liabilities	92	105
Long-term trade payables	(18)	(54)
Other pension asset	62	62
Covenant net debt	(278)	(432)
Covenant net debt to adjusted EBITDA*	0.3x	0.7x
Cash and cash equivalents	736	668
Undrawn RCF	630	630
Undrawn CDS facility	148	199
Covenant liquidity**	1,514	1,497

* Adjusted EBITDA is defined per the facility agreement. The Finance Review includes further detail on our covenant ratios.

** Covenant liquidity is defined as cash and cash equivalents (including restricted cash) plus undrawn committed facilities.

Finance Review

This Finance Review focuses on the more technical aspects of our financial results while the operating and financial performance of the Group, M&E and ITV Studios has been discussed within the Operating and Financial Performance Review. Our Alternative Performance Measures (APMs) section, explains the adjustments we make to our statutory results. This enables focus on the key measures that we report on and use as KPIs across the business. See earlier sections for further detail.

Chris Kennedy, Group CFO and COO

Group financial performance

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
ITV Studios total revenue*	1,760	1,375	385	28
Total advertising revenue	1,957	1,577	380	24
M&E non-advertising revenue	325	308	17	6
M&E total revenue*	2,282	1,885	397	21
Total non-advertising revenue	2,085	1,683	402	24
Total group revenue	4,042	3,260	782	24
Internal supply	(589)	(479)	(110)	23
Group external revenue	3,453	2,781	672	24
Group adjusted EBITA	813	573	240	42
Group adjusted EBITA margin	24%	21%		
Operating profit	519	356	163	46

Adjusted EPS	15.3p	10.9p	4.4p	40
Statutory EPS	9.4p	7.1p	2.3p	32
Dividend per share	3.3p	–	3.3p	–
Net debt as at 31 December	(414)	(545)	131	24

* 2020 comparatives for M&E have been restated to reflect the reclassification of gaming, live events and merchandising revenues to ITV Studios. The impact is a £5 million decrease to 2020 M&E revenue and a £5 million increase to ITV Studios revenue, there is no impact on adjusted EBITA.

Exceptional items

Twelve months to 31 December	2021 £m	2020 £m
Acquisition-related expenses	(109)	(13)
Restructuring, reorganisation and property costs	(16)	(11)
COVID-19 related costs	–	(11)
Sports rights impairment	(1)	(23)
Pension-related costs	(21)	(37)
Transponder onerous contract	(16)	(19)
Employee-related tax provision	(22)	–
Other costs	(11)	(4)
Operating exceptional items	(196)	(118)
Exceptional finance costs	(10)	–
Total exceptional items	(206)	(118)

Total exceptional items in the period were £206 million (2020: £118 million). Acquisition-related expenses of £109 million are predominantly performance based, employment-linked consideration to former owners. The increase year-on-year reflects an additional amount paid to Talpa of £108 million following the final independent determination of the second earnout.

Restructuring and reorganisation costs of £16 million relate to one-off restructuring projects stemming from the Group-wide commitment to reduce the overhead cost base and reorganisation costs to deliver the strategy. In 2021 these costs largely relate to the M&E restructure and other business transformation projects and costs related to the head office move to Broadcast Centre in early 2022.

COVID-19 related costs are direct incremental costs incurred exclusively as a result of the pandemic. In 2020 the £11 million of costs incurred was due to the closure of ITV Studios productions and the subsequent restart in a safe environment along with additional costs incurred to maintain the production of daytime programming during the government imposed lockdown.

Impairment of sports rights relates to the impact of COVID-19 on the planned sporting schedule across 2020 and 2021, and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events. During 2020, as the provision left at 31 December 2020 was £18m, the Group recognised a provision for these sporting events of £23 million. The £1 million net charge in 2021 adjusts the remaining exceptional provision for changes in the expected scheduling of the remaining games and the related TAR forecasts in the period under review.

Pension-related costs in 2021 represent an increase to the provision in respect of the settlement of the Box Clever case of £21 million (2020: initial provision of £31 million). The total exceptional provision held is £52 million, and reflects management's best estimate of the provision required. Further detail is included in note 3.5 to the financial information.

Transponder onerous contract relates to satellite transponder capacity no longer required. In 2020, we commenced a review of the efficiency of our satellite transponder capacity usage, aimed at reducing our capacity requirements. This allowed us to reorganise and clear all channels from one transponder in the second half of 2020 that we were no longer utilising in our M&E business. In 2021 we cleared a second transponder and, as such, we are recognising a £16 million (2020: £19 million) increase in the onerous contract provision.

Employee-related tax provisions of £22 million reflects management's best estimate of potential employment taxes due to HMRC in relation to the employment status of individuals contracted by the Group. Further detail is included in note 2.2 to the financial information.

Other costs include legal matters which are considered to be outside the normal course of business. In 2021, this relates to a provision made to cover the committed costs for The Voice of Holland which was suspended mid-season in early 2022 due to allegations of inappropriate behaviour. Further detail is included in note 2.2 to the financial information.

Exceptional finance costs of £10 million is principally interest accrued on exceptional acquisition-related expenses.

Net financing costs

Twelve months to 31 December	2021 £m	2020 £m
Financing costs directly attributable to loans and bonds	(26)	(27)
Cash-related net financing costs	(4)	(9)
Amortisation on bonds and gilts	(1)	–
Adjusted financing costs	(31)	(36)
Imputed pension interest	–	(2)
Exceptional interest	(10)	–
Other net financial losses and unrealised foreign exchange	(9)	(6)
Net financing costs	(50)	(44)

Adjusted financing costs were down £5 million year-on-year at £31 million (2020: £36 million) reflecting lower levels of net debt in the year. Net financing costs were £50 million, which was up £6 million year-on-year (2020: £44 million) and largely due to interest payable on exceptional earnout costs relating to acquisition-related expenses.

JVs and associates

Our share of profits from JVs and associates in the period was £12 million (2020: £9 million). This was our share of the net profit arising from our investments, such as BritBox US and Canada, Bedrock Entertainment and Blumhouse Television.

Profit before tax

Statutory profit before tax increased significantly year-on-year to £480 million (2020: £325 million). Production tax credits increased to £29 million (2020: £12 million) as a result of more high-value dramas compared to the same period in 2020 when productions were paused. Adjusted profit before tax was up 47% to £774 million (2020: £527 million).

Profit before tax (PBT)

Twelve months to 31 December	2021 £m	2020 £m
Profit before tax	480	325
Production tax credits	29	12
Exceptional items (excluding exceptional finance costs)	196	118
Loss/(Gain) on sale of non-current assets	1	(4)
Amortisation and impairment*	49	68
Adjustments to net financing costs	19	8
Adjusted profit before tax	774	527

* In respect of assets arising from business combinations and investments.

Tax

Adjusted tax charge

The total adjusted tax charge for the period was £153 million (2020: £95 million), corresponding to an effective tax rate on adjusted PBT of 19.9% (2020: 18.0%), which is higher than the standard UK corporation tax rate of 19% (2020: 19%). We expect the adjusted effective tax rate to be around 20% in 2022, and then move to around 25% over the medium term as a result of the increase in the UK statutory rate to 25% from April 2023.

On a statutory basis, the tax charge is £92 million (2020: £44 million) and corresponds to an effective tax rate of 19.2% (2020: 13.5%). This rate in 2021 is higher than in previous years due to the exceptional Talpa earnout cost and prior-year tax adjustments. The adjustments made to reconcile the tax charge with the adjusted tax charge are the tax effects of the adjustments made to reconcile PBT and adjusted PBT, as detailed in the table above.

Twelve months to 31 December	2021 £m	2020 £m
Tax charge	92	44
Production tax credits	29	12
Charge for exceptional items	16	21
Charge in respect of amortisation and impairment*	12	16
Charge in respect of adjustments to net financing costs	4	2
Adjusted tax charge	153	95

Effective tax rate on adjusted profits	19.9%	18.0%
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* In respect of intangible assets arising from business combinations and investments. Also reflects the cash tax benefit of tax deductions for US goodwill.

Cash tax

Cash tax paid in the period was £119 million (2020: £88 million) and is net of £13 million of production tax credits received (2020: £22 million). The majority of the cash tax payments were made in the UK. The cash tax paid is higher compared to the previous year due to the increase in our 2021 forecasted taxable profit. A reconciliation between the tax charge for the year and the cash tax paid in the year is shown below.

Twelve months to 31 December	2021 £m	2020 £m
Tax charge	(92)	(44)
Temporary differences recognised through deferred tax	(12)	(1)
Prior year adjustments to current tax	7	(7)
Current tax, current year	(97)	(52)
Phasing of tax payments (including in respect of pension contribution benefits)	(6)	(46)
Production tax credits – timing of receipt	(16)	10
Cash tax paid	(119)	(88)

Tax strategy

ITV is a responsible business, and we take a responsible attitude to tax, recognising that it affects all of our stakeholders. To allow those stakeholders to understand our approach to tax, we have published our Global Tax Strategy, which is available on our corporate website.

www.itvplc.com/investors/governance/policies

We have four key strategic tax objectives:

1. Engage with tax authorities in an open and transparent way to minimise uncertainty
2. Proactively partner with the business to provide clear, timely, relevant and business focused advice across all aspects of tax
3. Take an appropriate and balanced approach when considering how to structure tax sensitive transactions
4. Manage ITV's tax risk by operating effective tax governance and understanding our tax control framework with a view to continuously adjusting our approach to be compliant with our tax obligations

Our tax strategy is aligned with that of the business and its commercial activities and establishes a clear Group-wide approach based on openness and transparency in all aspects of tax reporting and compliance, wherever the Company and its subsidiaries operate. The strategy confirms that ITV does not engage in or condone tax evasion or the facilitation of tax evasion in any form and that we have in place reasonable procedures to prevent the facilitation of tax evasion. Within our overall governance structure, the governance of tax and tax risk is given a high priority by the Board and Audit and Risk Committee (ARC). The ITV Global Tax Strategy, approved by the Board and ARC in September 2021, and as published on the ITV plc website, is compliant with the UK tax strategy publication requirement set out in Part 2 Schedule 19 of the Finance Act 2016.

EPS – adjusted and statutory

Overall, adjusted profit after tax was up 44% to £621 million (2020: £432 million). Non-controlling interest was a share of profit of £10 million (2020: £4 million share of losses) which is the net result from the non-ITV owned share in entities such as Tomorrow Studios, Cattleya, Tetra Media and BritBox UK.

Adjusted basic EPS was up 40% to 15.3p in the year (2020: 10.9p), this compares to 13.9p in 2019. The weighted average number of shares increased to 4,005 million (2020: 4,002 million, 2019: 4,000 million). Diluted adjusted EPS was 15.1p (2020: 10.8p) reflecting a weighted average diluted number of shares of 4,051 million (2020: 4,025 million).

Statutory EPS increased by 32% to 9.4p (2020: 7.1p). Compared to the same period in 2019, statutory EPS declined by 20% (2019: 11.8p) due to higher operating exceptional costs in 2021.

A full reconciliation between statutory and adjusted EPS is included within the Alternative Performance Measures section.

Dividend per share

Reflecting ITV's strong operational and financial performance in the year, and in line with previous guidance, the Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p. The Board intends to pay a full year ordinary dividend of at least 5.0p for 2022 which it expects to grow over time whilst balancing further investment behind our strategy and our commitment to investment grade metrics over the medium term.

Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (the Company) and not based on the Group's retained earnings. The 2021 full year dividend will be paid on 26 May 2022.

Acquisitions

Since 2012, we have acquired a number of content businesses in the UK, US and 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 renew and strengthen our creative talent and build our reputation as a leading global creator, producer and distributor.

As part of our strategy, we will consider selective value-creating M&A and talent deals in both scripted and unscripted to obtain further creative talent and IP.

We have strict criteria for evaluating potential acquisitions. Financially, we assess ownership of IP, 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, as well as retention and 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. We believe this is the right way to structure our deals as we should not pay upfront for future performance and should incentivise and reward delivery by the business over time.

The majority of earnouts or put and call options are dependent on the seller remaining within the business. Where future payments are directly related to the seller remaining with the business, these payments are treated as employment costs and, therefore, are part of our statutory results. However, we exclude these payments from adjusted profits and adjusted EPS as an exceptional item, as in our view, for the reasons set out above, these items are part of the capital consideration reflecting how we structure our transactions and do not form part of the core operations.

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

Acquisition-related liabilities or performance-based employment-linked earnouts are amounts estimated to be payable to previous owners. The estimated future payments of £79 million are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the liability is between £66 million and £143 million. The estimated future payments, treated as employment costs, are accrued over the period the sellers are required to remain with the business, and those not linked to employment are recognised at acquisition at their time discounted value.

Acquisitions – between 2012 and 2021 (undiscounted)

Company	Geography	Genre	Initial consideration £m	Additional consideration paid £m	Expected future payments* £m	Total expected consideration** £m	Expected payment period***
Total for 2012–2021	Various	Content & Broadcast TV	959	479	79	1,517	2022-2026

* Undiscounted and adjusted for foreign exchange. All future payments are performance related.

** Undiscounted and adjusted for foreign exchange, including the initial cash consideration and excluding working capital adjustments. Total maximum consideration which was potentially payable at the time of acquisition was £2.4 billion.

*** £26 million is expected to be paid in 2022.

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. Expected future payments of £79 million have decreased by £148 million since 31 December 2020, mainly due to the payment made on the final Talpa earnout following the determination of the final payment by an independent arbiter, and the associated impact of foreign exchange.

As at 31 December 2021, £64 million of expected future payments had been recorded on the balance sheet, with the balance of £15 million to be accrued over the period in which the sellers are required to remain with the business.

Following the determination of the second and final earnout payable on the Talpa acquisition by the independent arbiter, €298 million (c.£256 million) was paid during August 2021 and is included within additional consideration paid.

There were no material acquisitions in 2021. However, during the period we agreed several talent deals within ITV Studios to strengthen our creative talent pool.

Cash generation Profit to cash conversion

Twelve months to 31 December	2021 £m	2020 £m
Adjusted EBITA	813	573
Working capital movement	(141)	237
Adjustment for production tax credits	(16)	10
Depreciation	59	57
Share-based compensation	12	6
Acquisition of property, plant and equipment and intangible assets*	(45)	(66)

Lease liability payments (including lease interest)	(29)	(26)
Adjusted cash flow	653	791
Profit to cash ratio	80%	138%

* Except where disclosed, management views the acquisition of property, plant and equipment and intangibles as business as usual capex, necessary to the ongoing investment in the business.

Cash generated from operations is reconciled to the adjusted cash flow as follows:

Twelve months to 31 December	2021 £m	2020 £m
Cash generated from operations	407	693
Cash outflow from exceptional items	307	68
Cash generated from operations excluding exceptional items	714	761
Removal of Receivables Purchase Agreement	–	100
Adjustment for production tax credits	13	22
Acquisition of property, plant and equipment and intangible assets	(45)	(66)
Lease liability payments (including lease interest)	(29)	(26)
Adjusted cash flow	653	791

One of ITV's strengths is its cash generation reflecting our ongoing tight management of working capital balances. We manage risk when making all investment decisions, particularly in scripted content and BritBox UK, through having a disciplined approach to cash and costs. This has been particularly important during the COVID-19 pandemic. Remaining focused on cash and costs means we are in a good position to continue to invest across the business in line with our strategic priorities, an important focus of which going forward includes a step up in our content investment for ITVX, our new integrated AVOD/SVOD streaming platform which will launch in 2022.

In the year, we generated £653 million of operational cash (2020: £791 million) from £813 million of adjusted EBITA (2020: £573 million), resulting in a profit to cash ratio of 80% (2020: 138%). The year-on-year movement is the unwind of the working capital benefit from 2020, which had a large working capital inflow arising from a reduction in programme stock (where we delivered programmes but were unable to continue producing due to the COVID-19 pandemic) and the timing of VAT payments which were deferred to the first half of 2021 (see further detail below). This was offset by our strong TAR revenues in 2021 and tight working capital management.

Free cash flow

Twelve months to 31 December	2021 £m	2020 £m
Adjusted cash flow	653	791
Net interest paid (excluding lease interest)	(40)	(17)
Adjusted cash tax*	(132)	(110)
Pension funding	(74)	(59)
Free cash flow	407	605

* Adjusted cash tax of £132 million is total cash tax paid of £119 million plus receipt of production tax credits of £13 million, which are included within adjusted cash flow from operations, as these production tax credits relate directly to the production of programmes.

Our free cash flow after payments for interest, cash tax and pension funding was £407 million (2020: £605 million). As agreed with the tax authorities and our pension trustees in 2020, we deferred £90 million of payments out of 2020, being £75 million of VAT payments which was paid in the first half of 2021 and £15 million of pension contributions payable across 2022 to 2025.

Funding and liquidity

Debt structure and liquidity

The Group's financing policy is to manage its liquidity and funding risk for the medium to long term. ITV uses debt instruments with a range of maturities and has access to appropriate short-term borrowing facilities and a policy to maintain a minimum of £250 million of cash and undrawn committed facilities available at all times. As at 31 December 2021, we had two committed facilities in place to maintain our financial flexibility including a £630 million Revolving Credit Facility (RCF) due to mature in December 2023. Following the year end, this was subsequently refinanced to a new syndicated £500 million RCF maturing in January 2027, with the opportunity to renew for one or two years from the expiry date, and therefore potentially providing funding until 2029. The financial covenants in the new RCF remain unchanged (refer to APMs for further detail), requiring us to maintain a covenant net debt to adjusted EBITDA ratio of below 3.5x and interest cover (adjusted EBITDA to net finance charges) above 3.0x. The new RCF is also linked to the delivery of ITV's science-based carbon emissions targets. Under the terms, ITV will benefit from a lower interest rate if it delivers emissions reductions in line with its Net Zero roadmap, which will be assessed on an annual basis and verified through independent assurance.

As at 31 December 2021, ITV's financial position was well within its covenants and the RCF was undrawn – and had been throughout 2021.

We also have a bilateral financing facility of £300 million, which is free of financial covenants and matures on 30 June 2026. These two committed facilities (including the new RCF), provides us with sufficient liquidity to meet the requirements of the business in the short to medium term under a

variety of scenarios, including a severe but plausible downside scenario. At 31 December 2021, the £630 million RCF was undrawn and £148 million of the £300 million bilateral facility was available, which with cash of £736 million (including restricted cash of £50 million), provided total liquidity of £1,514 million (31 December 2020: £1,497 million).

After acquisitions and acquisition-related costs, pension and tax payments, we ended 2021 with net debt of £414 million (31 December 2020: £545 million).

Net debt

At 31 December	2021 £m	2020 £m
Gross cash*	736	668
Gross debt (including IFRS 16 lease liabilities)	(1,150)	(1,213)
Net debt	(414)	(545)

* Gross cash includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership (2020: £50 million of restricted cash).

Financing – gross debt

We are financed using debt instruments and facilities with a range of maturities. Borrowings at 31 December 2021 were repayable as follows:

Amount repayable as at 31 December 2021	£m	Maturity
£630 million Revolving Credit Facility	–	Dec 2023
€600 million Eurobond*	540	Sep 2026
€335 million Eurobond	281	Sep 2022
€259 million Eurobond	218	Dec 2023
Other loans	19	Various
Total debt repayable on maturity**	1,058	

* Includes £36 million cross-currency interest rate swaps

** Excludes £92 million of IFRS 16 lease liabilities.

Capital allocation and leverage

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with our commitment to investment grade metrics over the medium term. At 31 December 2021 our leverage, or net debt to adjusted EBITDA was 0.5x (31 December 2020: 0.9x). Our priorities remain as follows: to invest organically in our key assets and value drivers in line with our strategic priorities; maintain an investment-grade balance sheet; sustain a regular ordinary dividend that can grow over the medium term; continue to consider value creating inorganic investment against strict financial and strategic criteria, and any surplus capital will be returned to shareholders.

Credit ratings

We continue to be rated investment grade by both ratings agencies. Our current ratings are BBB- (stable outlook) by Standard and Poor's and Baa3 (stable outlook) by Moody's Investor Services. The factors that are taken into account in assessing our credit rating include our degree of operational gearing and 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. We do not hedge our exposure to revenues and profits generated overseas, as this is seen as an inherent risk. We may elect to hedge our overseas net assets, where material. To date, we have hedged a significant portion of the euro net assets arising from the Talpa Media 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 known or forecast transaction where there is an underlying cash exposure for the full tenor of that exposure, to a maximum of five years forward, where the portion 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 retranslation 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. The foreign exchange and interest rate hedging strategy is set out in our Treasury policies which are approved by the ITV plc Board.

Contract assets and liabilities

In 2021, contract assets increased by £133 million and contract liabilities increased by £88 million compared to 31 December 2020. Both increases were predominantly driven by ITV Studios, where contract assets rose by £126 million reflecting higher production volumes during the year. ITV Studios contract liabilities increased by £91 million primarily for the same reason and, where applicable, reflects production milestone payments received in advance of delivery from our customers.

Pensions

The net pension deficit for the defined benefit schemes at 31 December 2021 was £8 million (31 December 2020: £26 million deficit). The decrease in the year was principally due to the Scheme's liabilities reducing in the year from higher bond yields and deficit funding contributions which were partly offset by an increase in inflation assumptions.

The net pension assets include £62 million of gilts, which are held by the Group as security for future unfunded pension payments to four former Granada executives, the liabilities of which are included in our pension obligations. A full reconciliation is included within note 3.6 to the financial information.

Actuarial valuation

We expect to agree the triennial actuarial valuation as at 1 January 2020 shortly, and will agree a new funding contribution plan based on that. We do not expect the new funding profile to be materially different from the current plan (1 January 2017: £470 million).

Deficit funding contributions

The accounting deficit does not drive the deficit funding contribution. The Group's deficit funding contributions in 2021 were £74 million (2020: £59 million). For 2022, we do not expect the deficit funding contribution to be materially different from 2021. Refer to note 3.6 to the financial information for further detail.

SDN pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the trustee backed by the asset of SDN which resulted in the assets of Section A of the defined benefit pension scheme being increased by £200 million. The Group is contracted to provide additional collateral to support the original value of the structure at the rate of £50.7 million each year from March 2019 to March 2022. The contract provided that the cash collateral would not leave the Group but would be maintained in a restricted bank account. The trustee agreed to accept a letter of credit as an alternative to the 2019, 2020 and 2021 collateral instalments with the result that £152 million cash collateral did not become due in March 2021. The Scheme's interest in these Partnerships reduces the deficit on a funding basis but does not impact the deficit on an IAS 19 basis as the Scheme's interest is not a transferable financial instrument.

The PFP is currently being reviewed as we look to replace it with an arrangement which is broadly equivalent in value, using a combination of an alternative asset backed by SDN and cash contributions to the scheme. There may be a short delay in implementing this alternative, in which case we may have to arrange an additional £50 million of collateral for the trustee.

Planning assumptions for full year 2022

Profit and Loss impact

- Total content costs are expected to be around £1.23 billion which includes BritBox UK content costs
- Total investment of around £55 million in 2022, which includes: investment associated with ITVX in data, technology and streaming of £25 million and one-off launch costs of £20 million; along with investment of £10 million in our digital capabilities including Planet V, and our digital innovations business, Studio 55 Ventures
- Permanent overhead cost savings are expected to be around £17 million in 2022. We will deliver around £100 million of annualised permanent overhead cost savings by the end of 2022.
- Adjusted financing costs are expected to be around £36 million, which is in line with 2021
- The adjusted effective tax rate is expected to be around 20% 2022, and then move to around 25% over the medium term due to the increase in the UK corporation tax rate from April 2023
- The translation impact of foreign exchange, assuming rates remain at current levels, could have a favourable impact of around £6 million on revenue and £nil impact on EBITA
- Exceptional items are expected to be around £60 million, mainly due to costs associated with our digital transformation and our London property move

Cash impact

- Total capex is expected to be around £70 million as we further invest in our digital acceleration
- The cash cost of exceptionals is expected to be around £50 million, largely relating to costs associated with our digital transformation and our London property move
- Profit to cash conversion is expected to be around 80%
- Total pension deficit funding contribution for 2022 is not expected to be materially different to 2021
- The Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p. This will be paid in the first half of 2022. Going forward, the Board intends to pay a full year ordinary dividend of at least 5.0p which it expects to grow over time

Foreign exchange sensitivity

The following table highlights ITV Studios sensitivity, on a full year basis (using internal forecasts), to translation resulting from a 10% appreciation/depreciation in sterling against the US dollar and euro, assuming all other variables are held constant. An appreciation in sterling has a negative effect on revenue and adjusted EBITA; a depreciation has a positive effect.

Currency	Revenue £m	Adjusted EBITA £m
US dollar	±47-57	±5-7
Euro	±44-54	±8-10

Post Balance Sheet Event

To give ITV greater control over BritBox UK and enable its integration into ITVX, the BBC has ceased to be a shareholder in BritBox UK. The BBC continues as a strong partner for BritBox UK and BritBox International and we have agreed a new long term content supply deal with the BBC. All PSB partners are committed to BritBox UK which offers consumers a large library of the majority of PSB British content in one place from the past and recent past. As envisaged by the original shareholder agreement the BBC has transferred its shares to ITV for nominal consideration. This disclosure is being made in accordance with Listing Rule 11.1.10 R due to the fact that the BBC is deemed to be a related party of ITV plc under the Listing Rules.

Chris Kennedy

Group Chief Finance Officer & Chief Operating Officer

Our Commitment to Section 172(1)

The Directors consider that they have acted, in good faith, in a way that is most likely to promote the success of the Company for the benefit of its members and stakeholders as a whole, having regard (among other matters) to the matters set out in section 172(1)(a-f) of the Companies Act 2006. As the Chairman makes clear in his introduction, the Board regularly considers stakeholder groups and their most significant issues, views and interests as well as the financial and long-term impact of key actions throughout its decision-making process. The Board also undertakes a formal assessment on an annual basis of whether the key stakeholders identified remain appropriate.

Examples of some of the key strategic issues considered and decisions made by the Board during the year and an explanation of how the Board has had regard to the matters in section 172(1) (a-f) in reaching decisions are set out in the table below.

Supercharging ITV's streaming strategy, including the launch of its new integrated AVOD/SVOD platform with radical evolution of its content strategy with accelerated investment in AVOD	
Directors' consideration of key factors set out in section 172(1)	Outcomes of Board decision-making and other key strategic decisions
Long-term impact: The Board believes that supercharging ITV's streaming strategy to grow digital viewing and revenues will ensure that ITV's offering to viewers will better reflect and serve shifting viewing habits in the longer term and accelerate delivery of ITV's strategic priorities and long-term value. In reaching its conclusions the Board considered briefings on the UK streaming market and competitors, M&E financials, and proposed content spend for Phase Two of the strategy. The Board also assessed both qualitatively and quantitatively a wide range of scenarios, recognising a need to balance scale of investment in the proposition with shareholders' and other stakeholders' interests.	- Following careful analysis and modelling, the Board concluded that the accelerating into Phase Two of the More than TV strategy would be in the long-term interests of the Company (and therefore all stakeholders, including shareholders) - Ongoing monitoring of viewing and subscription figures and impact of the supercharged streaming strategy and competitor actions on revenue and profits - Investment in product, content, distribution, data, tech and analytics to supercharge streaming
Shareholders: The Board was mindful of shareholders' concerns regarding the impact of Phase Two of the strategy on ITV's financial performance and the acceleration of ITV's existing digital strategy (which is a critical component of the supercharged streaming strategy). The Board reviewed the implications of the streaming strategy on EBITDA, EPS and revenue versus consensus, and recognised the need to give shareholders the opportunity to further understand the Studios and M&E businesses and the impact the strategy would have on bolstering their propositions.	- Having discussed in detail the impact of the proposals on the investment case, including discussions with the Company's financial advisers and brokers, the Board felt that the strategic and long-term financial benefits of ITV's streaming strategy were in the best interests of shareholders - Investor seminars were held with shareholders (also attended by Board members) on Commercial (in November) and Studios (in December) to give investors deep dives into those business divisions. An investor seminar on the M&E business in March 2022 will provide detailed insight into ITV's streaming ambitions
Regulators and legislators: An important input into ITV's future strategic direction is ITV's status as a PSB. ITV is engaging with Ofcom and the government to seek reform of the PSB framework in which it operates. The Board was briefed on the implications for ITV and the accelerated streaming strategy in light of a range of scenarios arising from the PSB review.	- Ongoing appraisal of ITV's commercial and strategic interests in remaining a PSB - The Board continues to be updated on progress as the government considers its PSB review. The Chairman met with the Ofcom Chair on a wide range of policy and regulatory issues and the Chief Executive regularly meets with Department for Digital, Culture, Media & Sport (DCMS) ministers and the Chief Executive of Ofcom on matters, including the future of PSB, and other key issues of concern to the TV industry

Supercharging ITV's streaming strategy, including the launch of its new integrated AVOD/SVOD platform with radical evolution of its content strategy with accelerated investment in AVOD continued	
Colleagues: The Board considered the impact that this strategy would have on colleagues, notably the new teams and additional capabilities needed to bolster current teams to deliver Phase Two of our strategy, through an assessment of the business' current bench strength, capabilities and skills with particular focus on the Technology and Product teams. There was also a need to continue to transform internal systems, processes and behaviours to support an increasingly streaming-focused business. It was recognised that ITV's culture is key in having the right mindset and ways of working to achieve this strategy at pace. The Board also considered the people impact of re-prioritising resources across the business to refocus resources on the delivery of ITV's streaming ambitions.	• Board approval of the ITV Together programme, a global programme focused on digital transformation of Finance and HR in four key areas – how ITV is organised, our processes, our systems, and our culture • Deep dive session for Audit and Risk Committee members on the ITV Together programme • Board's endorsement of investment in additional resource to ensure the business has the required skills to deliver the supercharged streaming strategy. For example, the Board supported the use of outsourced resource (at higher financial cost) whilst the internal Technology team builds its capabilities to the required strength, rather than lose strategic momentum
Partners, customers and business relationships: The Board considered the increasing amount of engagement and collaboration the strategy would require with platform owners, distribution partners, technology partners and other PSBs (for content) – fostering business relationships with these key partners and ITV maintaining high standards of business conduct would be critical to the successful delivery of Phase Two of our More than TV strategy. The strategy would provide advertisers with a more targeted offering at scale through a compelling streaming service. Strengthening our streaming proposition would provide viewers with a seamless experience, with a much stronger content offering. The Board assessed how the supercharged streaming proposition would be structured for consumers and how the proposition would be positioned and received within the streaming market, as well as other aspects of the strategy such as consumer branding.	• The Board will continue to monitor the technology and product plans to build and roll-out the new service, including the role that ITV's partners play in distribution of Phase Two of our strategy • Board support for management to supercharge ITV's streaming proposition • Board support for the progression of, and investment in, innovative, addressable advertising products • Increased engagement with partners, customers and business relationships to ensure they understand what the supercharged streaming strategy will mean for the business

Moving ITV's two London offices to Broadcast Centre	
Directors' consideration of key factors set out in section 172(1)	Outcomes of Board decision-making and other key strategic decisions
Long-term impact: The Board considered whether the new proposed office space would continue to fulfil ITV's requirements over the long-term, both in delivering run-rate cost savings and in giving the business flexibility over future London office space, while also considering market uncertainties. The Board reviewed the key commercial terms of the lease, and the financials and accounting treatment to understand the financial impact of the new lease and the phased move away from the current offices. The environment and options to increase and decrease floorspace in the future to determine flexibility in the long term were also considered.	• Following these analyses, the Board concluded that the move to Broadcast Centre would be in the long-term interests of the Company • Consideration of property relocation cost savings as part of the 2022 budget and five year plan decision • Ongoing monitoring of the status of the property relocation project and lease negotiations through regular Group CFO & COO Board updates
Colleagues: The Board believes the move to the new office space is in the best interests of colleagues as a collective group. Bringing ITV's London-based staff together into one location will help foster ITV's culture allowing face-to-face collaboration crucial for creativity and innovation, and being close to where ITV creates and broadcasts many of its biggest shows. Directors took account of the impact on their colleagues, and reviewed the mapping of staff journey times, discussed the potential impact of higher rates of attrition and possible difficulties with recruitment but the Board also recognised the consistent feedback from colleagues that the new hybrid working style, balancing office based and remote working, was favoured by the majority of colleagues who could work remotely. In considering this decision, Board members asked further questions related to communications to colleagues regarding the move and the hybrid working practices which ITV was already adopting.	• The Directors plan to visit Broadcast Centre in early 2022 to meet with colleagues and see the new London office environment (prior to all colleagues relocating) • The Directors are kept apprised of management's communication and engagement plans to help London colleagues with this change to their working practices and location • Ongoing two-way communication between the Ambassador Network and Board, through the Workforce Engagement Director, for example on colleagues' views on preferred working patterns and changes in office space and location • Endorsement of the move included integrating London-based independent production labels and delivering network connectivity and tech infrastructure to support production
Community, environment, viewers and subscribers: The Board considered whether ITV should consider reducing the size of its London presence further and move more of its operations outside of London. However, given that London remains the primary commissioning and production centre for all UK channels and SVOD players, and the major sales agencies and advertisers are predominantly based in London, a substantial ITV presence in London was appropriate. The sustainability of our sites and buildings is now a key consideration when making decisions on office moves and closures. The Board noted that the reduction in UK office capacity as a result of this move would help facilitate our net zero transition.	• Continued efforts to reduce our carbon emissions and increase our use of renewable energy in our properties both in the UK and internationally. The move to the new office is estimated to reduce workplace carbon emissions by around 40% compared to the previous site arrangement • Discussions with suppliers to ensure they are well placed to support ITV at Broadcast Centre • Continued efforts to ensure sustainable practices and minimise waste, for example reusing furniture and equipment from current offices, and efficient waste collection to maximise recycling and help meet our Zero Waste target

Risks and Uncertainties

ITV operates in a rapidly changing business environment. Viewer behaviours, macroeconomic trends, competitors and the broader industry are evolving rapidly, creating an increasingly complex risk landscape.

We understand that taking certain risks is unavoidable, and necessary, to enable us to continue to produce and broadcast market-leading quality content and achieve our strategic goals. However, we must also adequately manage and respond to risks which represent a threat to our reputation, operations, finances, and the safety of our staff, contributors and the environment. Our continued success is dependent on striking the right balance between risk-taking and risk-mitigation.

At ITV the Board actively promotes a culture where risk management is not seen to be a process that stifles creativity, but rather one in which risks can, and should, be taken to achieve our goals, providing they are justified, actively managed and/or creating opportunity. ITV's risk management framework is designed to support strategic and operational decision-making by providing ITV with the tools to identify, manage and monitor these risks.

Risk management framework

The key objective of our risk management framework is to support the achievement of our strategic goals. The framework seeks to drive clarity and proactivity and enable us to respond to threats, by defining the required governance, process and enablers for effective risk management at ITV.

Enhancing risk management

We are continually iterating and enhancing our risk management framework to respond to developments inside and outside our business and meet our objectives.

Key enhancements in 2021

- Continued to embed risk management culture and awareness within and across the business
- Refreshed the Code of Ethics and Conduct, and Speaking Up policies and processes, to better communicate and monitor compliance and conduct matters
- Performed a number of deep dives with management, the Audit and Risk Committee and the Board, to further scrutinise principal risk mitigation and compliance with risk appetite (detail of the deep dives completed in 2021 are outlined within each principal risk identified in our Principal Risks and Uncertainties section).
- Developed quantitative risk appetite metrics for key operational risk areas to better monitor compliance
- Reviewed the existing crisis management framework, taking into consideration learnings from COVID-19 and the M&E restructure
- Performed climate scenario analysis to better understand and quantify climate related risks and our resilience
- Initiated projects to further enhance our financial and technology controls environment
- Performed a robust review of interconnectivity of data related risks, taking into account strategic changes, security, data governance and privacy

Building on these priorities in 2022

- Building on the successes to date to further develop risk management capability and processes within the newly created Media and Entertainment division
- Enhancing compliance monitoring and reporting across the business, in line with refreshed Code of Ethics and Conduct
- Increasing visibility and oversight over Studios International operational risks and ongoing management of those risks
- Improving risk appetite reporting, including developing quantitative risk metrics to monitor key strategic and emerging risks
- Reviewing business continuity and resilience measures in key operational and central functions areas
- Developing the second line assurance over the financial and technology controls environment
- Ensuring the smooth transition of Internal Audit to our new provider
- Further enhancing the process to manage the interconnected data related risks

Risk governance structure

The Board has overall responsibility for ensuring that ITV is appropriately identifying and managing the risks the business is exposed to. The Board is supported by the Audit and Risk Committee, which oversees the effectiveness of the risk management and internal control environment, and Management, who implement the necessary risk mitigation and internal control plans to ensure the Group is operating within the tolerances of the Board determined risk appetite.

Board

- Sets strategic objectives
- Reviews and evaluates principal risks and uncertainties
- Sets our strategy on risk and establishes tolerance levels and risk appetite
- Ensures the effective operation of the risk management framework and internal control systems

Audit and Risk Committee

Has responsibility for:

- Overseeing and advising the Board on risk exposures and future mitigation strategy
- Reviewing the effectiveness of the risk management framework and internal control systems
- Conducting in-depth reviews of high-risk business areas or processes
- Setting the internal audit plan to gain assurance of the effectiveness of key risk controls and mitigations
- Reviewing implementation of internal audit actions
- Overseeing and monitoring the business's compliance with the risk appetite set by the Board

Details of risk reviews undertaken during the year are set out in the Audit and Risk Committee Report within the Governance section of the report.

Management Board

Has responsibility for:

- The development and operation of the risk management framework and systems of internal control, including:
 - Reviewing and monitoring the effectiveness of internal controls and putting in place remedial plans where required. Serious control weaknesses (if any) are reported to the Board and action is taken as appropriate
- Routinely reviewing and challenging risks, risk assessment ratings and mitigations, including relevant reports or other performance indicators
- Continuously reviewing risk exposure and ensuring that decisions taken are in line with the organisation's risk appetite and within the defined tolerance levels
- Reviewing emerging risks

Divisional Boards and Central Functions

Have responsibility for ensuring appropriate risk management within their business area, including:

- Routinely reviewing and challenging risks and mitigations, including relevant reports or other performance indicators
- Reviewing local policies and monitoring the local implementation of key group policies and procedures
- Reviewing emerging risks identified through the risk management framework

Group Risk Function

Has responsibility for:

- Maintaining the risk management framework, systems and processes and supporting management in its adoption and embedding
- Coordinating all risk identification, reporting and governance forum activity, ensuring consistency in approach
- Developing risk capability and culture in the business
- Supporting and advising the business on the development of risk management solutions

Three lines of defence

The three lines of defence model is a core enabler within our risk management framework and provides ongoing assurance over the effectiveness of our risk management activities and internal controls environment.

The Board: Oversight over principal risks

Audit and Risk Committee: Oversight over risk management framework

Senior management: Oversight over all business risks

Reporting

Business Operations and Divisions: Divisions and Central Functions identify, assess and manage risk on an ongoing basis, including maintenance and operation of the internal control framework to mitigate key risks. These risks are reported and escalated through the risk governance structure.

Reporting

Group Risk and Central Functions: Where relevant, Group Risk and Central Functions support the business in their risk management activities. They are responsible for setting policies related to their remit, monitoring application of policies within the business and advising the business on risk mitigations.

Reporting

Internal Audit/Other assurance providers: Provides independent assurance over the effectiveness of the Group's internal control systems and risk management processes. The internal audit plan is driven from ITV's risk management framework and is aligned to auditable elements of the Group's principal risks.

Risk appetite

The Board has developed statements that define our risk appetite for each principal risk and across other key areas, to better focus risk management activities and help the business strike the right balance between risk taking and risk mitigation. This includes, but is not limited to, liquidity, acquisitions, data privacy, business continuity and resilience, and people and culture. Our risk appetite reflects ITV's willingness to be

innovative and open to new ideas as we pursue our strategy, whilst maintaining our low tolerance in operational areas such as compliance, duty of care, cyber and data protection.

During 2021 we focused on educating the business on the risk appetite and developing quantitative metrics to help us focus on areas of high risk that are operating outside of appetite. In 2022, we intend to build on this work by enhancing our risk appetite reporting, to better support the Board's roles in monitoring compliance against risk appetite.

Principal risks

As part of our risk management framework, we have a process to oversee all risks which may threaten ITV, with particular Board scrutiny over our principal and emerging risks. All risks are assigned a risk owner responsible for monitoring and implementing mitigations, with principal risks owned by a member of the Management Board, who is responsible for monitoring and implementing mitigation on an ongoing basis. The risk owner is also responsible for identifying any potential opportunities associated with the risk and capitalising on those as appropriate. The principal risks are reviewed on an ongoing basis by senior management, subject to periodic deep dives at the Board, Audit and Risk Committee, Management Board and Divisional Boards, and are formally assessed by the Board twice a year.

COVID-19
Last year we included a new principal risk relating to COVID-19, which reflected both the wide ranging impact the pandemic had internally on our financial position and operations, and the broader implications in the macro-economic environment and viewing habits. Despite the unprecedented challenges presented by the ongoing COVID-19 pandemic, we have recovered well with the highest Media and Entertainment revenue in our history and Studios revenue set to recover in 2022. We have focused on increasing the resilience of our operations and developing innovative procedures to continue filming during the pandemic. However, there is still some uncertainty and COVID-19 remains an operational risk to our business. We provide an overview of the operational risk factors related to the pandemic below, including, where appropriate, additional context in each principal risk, to reflect the acceleration of those risks as a result of COVID-19.

Brexit
We continue to monitor the risks associated with the UK's withdrawal from the EU in 2020. Whilst the development of a deal between the UK and the EU went a considerable way to mitigating this risk, there remain some uncertainties. There remain operational challenges associated with the free movement of people and goods/services, impacting both our productions and supply chains. These risks are largely mitigated within ITV, however, we recognise that challenges continue to impact our advertisers and contribute to broader macroeconomic risks which may impact our Commercial revenue. There has been renewed attention in some quarters in the EU on the qualification of UK content as European works. There is a risk that UK content might no longer qualify as European works (in whole or in part) for the purposes of EU TV and Streaming quotas, which may impact the demand for UK made content including that made in the UK by ITV Studios. We are currently monitoring developments in this area and engaging with the European Commission, some EU governments and others on the topic. Where relevant, we have provided Brexit commentary in each of our principal risks below.

Emerging risks

We define emerging risks as uncertainties which originate from known or previously unconsidered sources, and which are not clearly understood, visible or possible to fully assess. These risks could impact ITV over a longer period and have the potential to significantly impact our business model and/or operations.

The Board and Management are responsible for identifying emerging risks and ITV's Group strategy and Risk teams support this by undertaking horizon scanning, maintaining ongoing dialogue with the business and keeping up to date with wider market developments. Emerging risks are tracked and escalated through the risk management framework and are formally assessed by the Board twice a year. Our key emerging risks fall into the Environmental, Social and Governance categories. In addition, we closely monitor the technological environment to understand how disruptive technology creates emerging risk and opportunity for our business.

Environmental, Social and Governance (ESG) issues
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ESG matters underpin everything we do and are core to our Social Purpose strategy. We understand that purpose driven organisations are more resilient to external threats and therefore we need to have strong risk management processes around emerging ESG-related issues.

Environmental

We recognise the climate crisis and the risks and opportunities it poses for ITV. In 2021, we significantly increased our focus on environmental risks as part of our work on TCFD. We completed climate scenario analysis, across high and low carbon scenarios, and our assessment suggests our strategy remains resilient to the risks posed by climate change and environmental changes. However, we recognise there still remains uncertainty around the potential significance, impact or timing of these risks and we continue to categorise climate change as an emerging risk for ITV. Further detail on the risks and opportunities specifically related to climate change are provided in our TCFD report which will be included in the Governance section of our 2021 Annual Report and Accounts.

Social

As a public company, ITV is particularly exposed to societal risks. Conversely, we are uniquely positioned to use our scale and visibility to increase awareness around social issues. Failure to recognise and respond to social issues may impact the relevance of our content and, in turn, our viewing. In addition, failure to implement processes to address social inequality within our business may result in ITV being perceived as a less attractive employer and impact our ability to attract and retain talent. Our Social Purpose strategy and internal values are centred around using our platform to educate viewers, our colleagues and the general public on social issues. Please refer to our Social Purpose section which will be included in our 2021 Annual Report and Accounts, for more information on the work we are doing as part of our Social Purpose.

Governance

ITV is committed to implementing the highest standards of corporate governance, in order to provide transparency to our shareholders and wider stakeholders and to ensure we remain compliant with laws and regulations. We recognise failure to implement adequate corporate governance standards may result in failure to attract investment and impact how our business is valued. For further information, please refer to our Corporate Governance report which will be included in the Governance section of our 2021 Annual Report and Accounts.

Overall, whilst we do not categorise ESG as a standalone principal risk, which could materially threaten our viability or strategy, we recognise that ESG matters need to be considered as part of our everyday activities and are intrinsically linked to many of our risks. These risks are identified and managed through our existing bottom-up risk process, with escalation to the relevant board as required. Importantly, all these emerging risks also present opportunities for our business, therefore we manage them in a way to enhance our brand and perception in the market. Where relevant, we have provided ESG commentary on each of our principal risks below.

Strategic/Financial, External risks		
External business environment risks, including macroeconomic, socio-political or market changes, that may impact ITV's financial position or strategic vision		
1. Changing viewing habits		
Management Board owner: Kevin Lygo		
Description	Context	Mitigating activities
A failure to anticipate or respond to fast changing viewer habits and behaviours may impact total viewing and the success of our channels/services.	- Content is now available across many different devices and platforms, which is impacting how viewers consume video - Viewers are watching less linear television and are increasingly accessing content through Streaming services - Our advertising revenue and continued success is dependent on being able to retain viewers and increase the volume of content they consume on our services Changes in direction of travel COVID-19 accelerated some of the changes in viewer habits that we had started to see prior to the pandemic. The growing level of competition for viewer attention, coupled with the acceleration of video on demand viewing (even amongst traditionally linear-skewed viewers) has resulted in this risk continuing to trend upwards.	Our strategy is focused on enabling our audiences to access our content wherever, whenever and however they choose to watch. This involves continuing to broadcast great content on our channels to encourage mass simultaneous reach and focusing on accelerating our Streaming strategy, with a new proposition, ITVX, launching in 2022. The new vision for Streaming will focus on developing a leading VOD platform in the UK, driving greater value for viewers, advertisers and ITV through a stronger integrated proposition. We aim to do this by: capitalising on the success of our ITV Hub, ITV Hub+ and BritBox UK; increased digital-first content investment; strong user experience; using data to drive viewing; investment in marketing; and developing a brand which attracts VOD-first viewers. Through this, we will offer advertisers premium addressable audiences at scale in a trusted, brand safe and measured environment through Planet V. Our strategy also involves investing in alternative media products to more effectively compete for non-viewing time and allow viewers to engage with the ITV brands and formats in different ways. This includes investing in gaming, short form content and podcasts. Board oversight Regular updates on viewing figures and evolving viewer behaviours at the Board

2. Advertising market changes

Management Board owner: Kelly Williams

Description	Context	Mitigating activities
Ongoing changes in the advertising market may result in reduced demand for ITV's advertising products and a longer-term decline in advertising revenue.	We have noted significant recovery in the TV advertising market; however, significant downturn in the economy, driven by Brexit, COVID-19 and/or other macroeconomic factors may impact advertiser spend. An increasing proportion of advertising budgets is being spent on digital offerings and with media owners with advanced features, such as audience attribution Certain sectors are either already or may become subject to regulatory advertising restriction, impacting the advertising they can place with ITV. Particular industries which are at higher risk of advertising restrictions are: gambling, and food and drink. In addition, we are monitoring the potential for advertising restrictions on high-carbon emitting products and services, for example air travel and motor vehicles. Changes in direction of travel Continued uncertainty in the economic environment means this risk is trending upwards.	We continue to closely monitor the economic environment and track the potential financial impact on advertising revenues. Our Commercial strategy is focused on demonstrating the benefits of advertising on ITV, whilst seeking to increase awareness within growing sectors. We continue to innovate our solutions to compete with digital offerings, including by investing in enhanced addressability. Our Planet V product provides advertisers an easy to use, self-service platform to deliver highly targeted ads on our Streaming products. Our new Streaming strategy seeks to deliver a more compelling proposition for advertisers seeking to reach an addressable audience at scale. In 2021, we also launched ITV AdLabs which seeks to offer advertisers innovative products, such as metaverse solutions. During 2022, this will also involve investigating options to deliver linear addressable ads. We monitor the regulatory landscape and engage with the UK government to understand and limit the impact of advertising restrictions on our revenues. Specifically, in relation to the intended ban on advertising for high fat, sugar and salt products, we are assessing the potential financial impact and identifying approaches to mitigate the loss of revenue while we wait for further details on the scope of the ban and timing of application. More broadly, we seek to use our content to educate our viewers on social issues, such as healthy foods and the environment. Board oversight Strategy session with the Board on our Commercial strategy, in light of this risk (July 2021)

3. Evolving demand in the content markets

Management Board owner: Julian Bellamy

Description	Context	Mitigating activities
Fundamental changes in the content market may result in reduced opportunities, non-renewal of premium programmes, and/or impact the profitability of ITV Studios content.	Production has now resumed globally, however, it remains operationally challenging and more expensive as a result of COVID-19. The demand for content globally continues to increase, in particular from SVOD buyers. However, market competition is intensifying and recent large mergers in the media market represent both a threat and an opportunity to ITV. The profitability of the Studios business may continue to be impacted by buyers seeking better terms on pricing and rights and increased costs of production as a result of limited resources and new ways of working during COVID-19 Costs associated with carbon offsetting and new technologies to reduce the environmental impact of our productions may also impact margins in the future. There also continues to be some uncertainty around the longer-term qualification of UK made content as EU works for EU TV and streaming quotas, which could result in reduced demand for UK content. Changes in direction of travel The global demand for content remains high and we are able to use our scale to support us manage the risk associated with the rising cost of production, resulting in this risk remaining static.	ITV continues to implement COVID-19 secure protocols, which allow us to continue producing during COVID-19 whilst protecting those involved on our programmes. These protocols support our production resilience and can be rapidly flexed to respond to the evolving situation. We are also growing and maintaining relationships with a diversified set of local and global customers, with varied business models. Our strategy is focused on growing the volume of drama hours we produce and increasingly working with SVOD customers. We have continued to invest in developing and attracting creative talent in order to ensure we can continue to provide quality content to these customers. We believe that by taking action now to reduce the environmental impact of our productions, we are mitigating against longer-term increases in costs e.g. arising from carbon taxation or higher prices of fossil fuel. From a cost perspective, we are also continually implementing new processes to drive efficiency in our production and project margins. These include robust procurement procedures, maximisation of tax credits and technological approaches to optimise filming. We are assessing the implications in relation to the qualification of UK content as EU works, whilst we await further detail on the potential measures. Board oversight Strategy sessions focused on ITV Studios, and response to risks and changes in the market

4. Platform relationship risk

Management Board owner: Chris Kennedy

Description	Context	Mitigating activities
An inability to develop and maintain adequate relationships with major platform and distribution providers may result in viewers being unable to find our content and lack of fair value for that content.	- Video content is viewed across a wide variety of platforms and devices and ITV needs to work with these platform providers to ensure viewers can continue to find ITV content whenever and wherever they choose to watch - As a Public Service Broadcaster (PSB), we are guaranteed prominence in the UK within the linear Electronic Program Guide (EPG) grid. However, this prominence is not guaranteed for digital viewing and other ways viewers now or will choose to consume ITV content. - The PSB ecology is integral to the broader society in the UK and a lack of regulatory intervention to protect this ecology may threaten this wider societal benefit. There is a risk that global platforms may use their scale and influence to limit the visibility and prominence of PSB content and/or the value PSBs are able to take from the content PSBs distribute on their platforms Changes in direction of travel During 2021 we finalised long-term deals with both Sky and Virgin Media O2 which supports mitigation of this risk in the medium term. However, as we develop our Streaming proposition we need distribution arrangements in place to ensure the product is available on as many platforms as possible.	Our aim is to allow viewers to access our content, wherever, whenever and however they choose to watch and this is underpinned by a defined partnership and distribution strategy, which has been further developed throughout 2021. We will continue to focus on this as a priority as we deliver our enhanced Streaming strategy. We have a dedicated team that has developed relationships and commercial arrangements with all the major distribution providers and TV platform/device manufacturers in the UK. This team is also responsible for inputting into product and commercial decision-making, to confirm ITV remains an attractive proposition from a distribution perspective. We are therefore in a position to negotiate the prominence and monetisation of ITV's content on their platform/devices. We also continue to actively participate in dialogue with Ofcom and the UK government regarding the modernisation of the PSB regulatory regime and make the case for addressing the key areas of inclusion, prominence and fair value. Board oversight Ad-hoc updates on partnership and platform developments

5. Pension deficit increase

Management Board owner: Chris Kennedy

Description	Context	Mitigating activities
A financial crisis or macroeconomic change could impact the value of pension scheme investments and liabilities and increase the deficit.	- Changes in credit spreads could result in material movements in the Group's defined benefit pension scheme liabilities - A major change in longevity, investment values or in the discount rate affecting the value of liabilities could have a material impact on the net pension liability. ITV may need to respond in such an event by increasing future contributions Changes in direction of travel The pension scheme trustees' approach has always been focused on taking a conservative approach to limit the impact of uncertainty. Therefore, the wider implications of the economy have not impacted the value of the scheme significantly or our ability to meet liabilities.	The pension scheme assets are invested in a diversified portfolio, with a significant proportion held in lower risk bonds, with interest rate and inflation hedging in place, designed to match the cash outflows of the scheme liabilities as far as possible. We have worked with the pension trustees to manage contributions to the pension schemes through a series of asset backed arrangements. Increased monitoring of the pensioner population and mortality rates of the schemes has taken place to assess the likely risk of a mortality shock as a result of COVID-19. This would result in a requirement to increase collateral in relation to the longevity swap and restrictions on the preferred investment strategy. However, a mortality shock would also reduce the scheme's liabilities, partly offsetting the risk of the deficit. Board oversight Annual pension process and controls review at the Audit and Risk Committee (September 2021)

6. Regulatory policy changes

Management Board owner: Magnus Brooke

Description	Context	Mitigating activities
Changes to policy and regulation, or a failure by the UK government to regulate, may have a negative impact on the future of public service broadcast, our business model and/or the cost of operations.	Public service broadcasters (PSB) regulation needs reform to respond to changes in viewer behaviours and the increasing scale of digital media companies. The outcome of the ongoing PSB regime review presents both risks and opportunities for ITV's business model and strategy Changes in advertising regulation for certain sectors may have a negative impact on the revenue we are able to generate from these sectors. The agreement of a deal between the UK and EU has gone some way to managing Brexit uncertainty. However, there continues to be some uncertainty around the longer-term qualification of UK made content as EU works for EU TV and streaming quotas, which could result in reduced demand for UK content.	We have an experienced Policy and Regulatory Affairs team that monitors for potential policy, legal and regulatory developments. We have a systematic approach to analysing the impact of potential changes and are proactive in putting forward our position during the development of new policies, legislation and regulation. We continue to engage with the government and regulators on the PSB regime and many other topics affecting our industry. This includes collaborating with other organisations in the industry, where appropriate in line with competition law and aligning objectives. Our Social Purpose team works alongside the Policy and Regulatory Affairs team to identify regulatory changes related to the environment/sustainability and to support the business implement processes to comply. This included advising the business on requirements for TCFD, of which we were an early signatory.

	Other areas of regulation and policy which could have an impact on our business include sustainability, child protection, broadcasting regionality and longer-term regulation in relation to pandemic preparedness. Changes in direction of travel Reform of the PSB regime remains a significant uncertainty and critical component to ongoing protection of the PSB ecology, resulting in this risk trending upwards.	Board oversight - Regular reports to the Board on PSB reform - Regular updates on emerging regulation in light of COVID-19
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Strategic, Internal/Change risks

Internal risks, including culture and capability, that may impede the achievement of strategic and/or operational change goals

7. Content pipeline risk

Management Board owner: Kevin Lygo

Description	Context	Mitigating activities
Failure to sustain a diversified commissioning and content strategy that is resilient and financially viable may reduce profitability.	- In order to protect viewing and, in turn, advertising revenues, we must develop a content pipeline that is both resilient to changes in viewer preferences and is financially viable. In particular, we must commission programmes with broad appeal that attract younger audiences - Our Streaming strategy requires us to invest in more content and we must balance these rising costs with the need to grow viewers on those products The public response to the Black Lives Matter movement has further highlighted the need to respond to increasing scrutiny of on-screen diversity. Furthermore, we also need to be conscious of the environmental impact of our programming and how environmental behaviours are presented in our content. Changes in direction of travel The cost of content is increasing, as a result of increased competition due to more players entering the market. This, coupled with the need to secure greater numbers of content hours for our Streaming proposition, results in this risk increasing.	Within our Broadcast business unit, our commissioning focus remains on mass simultaneous reach and identifying programmes and formats which have national appeal, led by our experienced Commissioning team. In order to increase the resilience of our pipeline and reduce our reliance on historically successful programmes, we continue to invest in new premium formats, live sports and high-end drama. A Content approach has been developed as part of the launch of ITVX, and will focus on implementing the content strategy needed to attract and retain viewers on ITVX, including content acquisitions, original commissions and content windowing approaches. We also have dedicated Research and Data teams, who provide insight on audience preferences and in 2021, we also invested in data products to provide enhanced insight into our Streaming viewing that is used to inform our content strategy. This data is supplemented with BARB data, which captures linear, BVOD viewing and has been extended to also cover SVOD viewing. We have developed a Diversity Acceleration Plan which aims to improve our on-screen diversity, develop a representative talent pipeline and better represent all communities in our programmes. We are also committed to reducing our environmental impact and communicating the need to respond to climate change to our viewers. In 2021, we along with other broadcasters signed the 'Climate Content Pledge', which outlines principles that we will commit to in order to help our audiences engage with this topic. Board oversight Sessions on Content strategy in light of this risk (December 2021)

8. Insufficient growth in our Streaming products

Management Board owner: Rufus Radcliffe

Description	Context	Mitigating activities
Our Streaming products do not grow at the pace required to deliver the desired strategic or financial outcomes.	- The video Streaming market is a highly competitive market, both in the UK and internationally - We have launched a new Streaming strategy and the success of that strategy is dependent on maximising the number of viewers on our Streaming service, the volume of content they view (consumption) and successfully converting a proportion to paying subscribers and subsequently retaining them - We must also manage the significant delivery and change risks associated with delivering the new product on time and to the right quality	We are significantly investing in supercharging our Streaming strategy and have developed a robust roadmap to deliver our integrated AVOD/SVOD service, ITVX, to the market in Q4 2022. ITVX content will reflect our digital-first strategy and will be AVOD led, with a compelling SVOD proposition. The new Streaming proposition will drive viewing amongst younger and VOD-leaning audiences, that may not otherwise engage with ITV content. We have developed an extensive data-driven marketing plan, to increase awareness of the product in the lead up to launch in Q4 2022. We will invest heavily in content through both acquisitions and original commissions for Streaming. Our content strategy for Streaming also includes creative ways to deliver this content, including curated

	We need to maintain strong relationships with platforms and distributors to maximise the availability and reach of our Streaming services Changes in direction of travel ITV is pursuing Streaming growth strategy in a competitive market and recent mergers in this market have intensified competition, resulting in this risk trending upwards.	collections, fast channels, streaming exclusive premieres and simulcast/live viewing. We have developed a product and technology workstream, to deliver a compelling user experience and functionality. In addition, we continue to invest in data to improve the user experience, drive viewing and maximise revenues. In order to extend our reach, we are developing distribution deals to make our products available on a growing number of major platforms and devices. We have also aligned our Commercial and Streaming strategies to ensure improvements for advertisers are a central part of the strategy. We have revised KPIs to track and evaluate the performance of our Streaming strategy and will both monitor these internally and report them externally. Board oversight Board strategy sessions on Streaming, in light of this risk (July and December 2021 and January 2022)
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9. Strategic and digital transformation risk

Management Board owner: Daniel Colton

Description	Context	Mitigating activities
Failure to successfully deliver key components of our strategy and digital transformation, due to the speed and extent of change required, may negatively impact our business.	- Digital transformation underpins all elements of our strategy and is a key enabler for increasing operational efficiency. Failure to effectively deliver digital transformation projects could impact ITV's ability to keep pace with changes in the market and ultimately future growth - As we digitally transform the business, our exposure to cyber security and data privacy risk increases. We need to manage these risks in order to protect our viewer and staff data and protect our operations. For further detail on these risks and mitigations, refer to the cyber security and data breach risk and the legal and regulatory non-compliance risk below COVID-19 has resulted in an acceleration of previously observed viewer trends and the need to increase the pace of strategic delivery. This requires significant alignment and effort across the whole group. Changes in direction of travel We have initiated a significant number of strategic and digital change programmes within the year, which increases the level of delivery and execution risks resulting in this risk trending upwards.	Despite the challenges presented by COVID-19, we have continued to successfully deliver against our strategy. Our strategy is articulated through defined strategic initiatives. Each initiative is sponsored by a Management Board member and led day-to-day by a member of the ITV Executive Leadership Team. We have formal processes in place, led by the Group strategy team, to report monthly on the performance of each of these initiatives to the CEO and Group CFO & COO. We have developed a Transformation Management Office, reporting into the Group Strategy & Transformation Director, that is responsible for supporting transformation and monitoring the associated delivery risks across the business. Forums are in place to discuss risks associated with digital transformation activity and support with managing interdependencies, prioritisation and change management to ensure we are committing to a manageable level of change activity. Key actions and risks from these meetings are also reported to the CEO and Group CFO & COO. Underpinning this, we have Management Board sponsors and Steering Groups in place for each major transformation programme, with responsibility for reviewing the progress, challenges and delivery risks associated with each programme. Board oversight Deep dive session with the Board on execution and delivery risks associated with the strategy and transformation agenda (July 2021)

10. Insufficient cultural change

Management Board owner: David Osborn

Description	Context	Mitigating activities
Failure to evolve the underlying culture of the business may result in an inability to deliver the level of change required to achieve our strategic objectives.	We could be negatively impacted if we fail to create the agile and collaborative culture required to deliver our strategy Our culture needs to support agility, collaboration and openness to new initiatives. During COVID-19, we have seen increased adoption of digital tools in the business, which demonstrates a positive shift towards moving to a digital culture. However, there remains a risk that the protracted period of home working may lead to siloed working and impact collaboration.	Regular meetings focused on cultural and strategic topics take place with the senior leadership teams, who are responsible for cascading key messages to their teams. We also hold regular CEO-led vodcasts and online events. In 2021 we held our first series of 'Fast Forward' events focused around digital transformation, which aimed to inspire colleagues and also improve understanding around what digital transformation means for ITV. Feedback from these events was very positive and we intend to hold further events in the future. All of these initiatives are focused on ensuring that the culture we are aiming to create remains visible to, and resonates with, our colleagues. In 2021 we completed a full Engagement Survey. Learnings from this have fed into short-term actions and longer-term improvement plans.

	There is a risk that engagement and morale may be negatively impacted by fatigue as a result of home working and the level of change being pursued by the business Changes in direction of travel We have taken many steps to move towards our cultural vision, including the organisational restructure. As a result, this risk remains static.	The Board undertakes a formal programme of employee engagement (led by a Non-executive Director), in order to obtain insight into our culture. We also continue to positively reinforce desired behaviours and attributes through direct links to reward and recognition. In 2021, we also began developing a set of enhanced metrics to support the Board in monitoring our culture and will begin formally reporting on these in 2022. Board oversight Regular updates to the Board from the Non-Executive Director on employee engagement and HR on culture topics, and Internal Audit report to the Board on culture
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Operational risks
Risks that could impact our operational and business as usual activities

11. Duty of care and health & safety incident		
Management Board owner: Carolyn McCall		
Description	Context	Mitigating activities
Failure to extend an adequate duty of care, the occurrence of a major health and safety incident or a global pandemic, could result in physical and mental harm, loss of human life and reputational damage.	- We have a duty of care (DoC) to our staff, cast, crew, programme participants and the general public COVID-19 has resulted in increased risks to health and safety (H&S), both in our offices and on our productions. - As we continue to increase production hours, our risks in relation to H&S continue to increase. We need to consider the DoC across all aspects of productions, taking into account the physical health and safety risks posed by COVID-19 and broader aspects of mental wellbeing Changes in direction of travel Whilst we have improved the robustness of our mitigations in this area, as we increase our production hours and the volume of content we commission, our exposure increases, resulting in this risk increasing.	We have a central team with responsibility for implementing controls and processes for DoC and H&S. During the pandemic, we have leveraged existing controls and implemented new processes in order to further protect our staff and individuals involved on our productions. This has included implementing a new mental health peer-to-peer platform for staff (employees, contractors and freelancers), implementation of home working for the majority of staff and the development of robust office and production safety protocols, which have been agreed with the UK government and the industry. We have also enhanced our existing DoC processes, which encompass procedures relating to both physical and mental health and safety. This has included engaging two medical professionals (a former Chief Medical Officer and a clinical psychologist) on an advisory basis, to provide ongoing support and challenge to our DoC activities. We have a Duty of Care Operating Board (DoC Board) in place, with responsibility for monitoring implementation and continuous improvement of our DoC framework and policies. This DoC Board is chaired by the Chief Executive (CEO) and includes senior representation from our Studios, Media & Entertainment, Legal, HR and Risk areas of the business. The DoC Board meetings are also attended by the Chair of the Audit and Risk Committee on behalf of the Board. Board oversight Deep dive on DoC risk with the Audit and Risk Committee (July 2021)

12. Legal and regulatory non-compliance		
Management Board owner: Kyla Mullins		
Description	Context	Mitigating activities
Failure to comply with applicable laws and regulation could result in reputational damage, financial penalties or suspension of our licences to operate.	- We are a global business and are therefore subject to multiple local and international legal and regulatory regimes. These cover a range of areas including: broadcasting and media regulations; anti-trust and competition law; anti-bribery and corruption; data privacy; and health and safety During the COVID-19 pandemic, the scope of laws and regulations has increased and we have needed to respond to various government guidelines and restrictions across all the territories in which we operate. - As we develop our data and digital strategy, and evolve the way we use personal data to deliver transformation in our Media and Entertainment business, we need to confirm that we remain in compliance with data protection and privacy regulation at all times	We have a Group Legal and Business Affairs team in place, which consists of subject matter experts who oversee, and are responsible for, ensuring business compliance with all elements of regulatory and legal requirements. Where appropriate, we also engage specialist external legal advisers to support. We operate a compliance programme which is embedded within our internal policy framework. Internal policies are owned by business leaders, regularly reviewed and approved by the Management Board and the Audit and Risk Committee. The Group Legal and Business Affairs team works with the business to support the adoption and implementation of these policies. During 2021, the Data Protection team has enhanced the Group's data protection framework, which has included working closely with the Chief Data Officer to implement effective data mitigations to ensure ITV is able to leverage data in an appropriate way when delivering its data strategy.

	Changes in direction of travel This risk is trending upwards, due a potential broadening of our data privacy compliance obligations as a result of our digital and data strategy.	A key enhancement by the team has been to embed data privacy and cyber specialists into the data transformation programme, to support designing privacy and security into new processes and activities from the outset. We also have a suite of mandatory compliance training and learning in place, which helps drive positive attitudes to compliance across the whole business. Board oversight • Deep dives on compliance framework and risk with the Audit and Risk Committee (January and July 2021) • Data protection deep dive with the Audit and Risk Committee (December 2021)
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13. Cyber attack or data breach incident

Management Board owner: Mark Smith

Description	Context	Mitigating activities
A cyber attack may result in major operational disruption, critical system outage or loss of IP, customer or business data and potentially lead to material financial fines/penalties and reputational damage.	• We operate in a highly public environment and, due to our reputation, we are at greater risk of attack (than the norm) from well organised threat groups • As technology becomes increasingly more complex and we transition to a digitally led business, we are required to evolve our cyber security procedures in order to effectively protect against and respond to evolving cyber threats Remote working results in increasing activity occurring outside the enterprise network and increases cyber and data breach risk. • As we continue to grow our digital product offerings, we work increasingly with third-party partners and suppliers. A failure by these partners to implement suitable security processes may result in increased risk to ITV Changes in direction of travel The increasing activity of threat actors and the increases in the level of technological change in the business, results in this risk continuing to increase.	We have implemented a robust cyber security risk management framework across the organisation to address the evolving nature of the cyber security threats. Our framework incorporates a variety of technical preventative and detective measures to mitigate the risk of an incident, as well as an extensive training and awareness programme. We have strengthened and accelerated previously planned enhancements to our controls and technical measures in response to the increased risk caused by remote working. We actively manage cyber and data security in our supply chain and undertake due diligence assessments on key suppliers as part of procurement activities. We also have an incident response and notification process in place, which are to be followed in the event a cyber or data breach incident occurs. The strength of our control environment is tested on an ongoing basis by independent security experts and recommendations are implemented in a prioritised manner. We also work with our security partners to undertake cyber simulation exercises at all levels of the organisation to continuously improve our response to cyber or data attacks. Board oversight • Update on cyber risk with the Board and Audit and Risk Committee (January 2022)

14. Recruitment and retention of talent risk

Management Board owner: David Osborn

Description	Context	Mitigating activities
An inability to attract, develop and retain key creative, commercial, technical and managerial talent could adversely affect our business.	• The market for talent is extremely competitive, with salary expectations materially increasing in areas of key talent (e.g. technology) • We must be able to attract, develop and retain the best creative, technological, commercial and managerial talent in order to successfully grow our business There is increasing scrutiny in relation to diversity and inclusion. We must commit to improving inclusivity and diversity across our business (across all aspects, including race, gender and disability) through both our recruitment and retention processes. Changes in direction of travel Activity in the job market has increased. This, coupled with challenges in sourcing skilled technologists and ability to offer remuneration packages that are comparable with our competitors, has resulted in this risk increasing.	There is a deep understanding of the skills and capability required to deliver our strategic objectives and our HR department works closely with the business to ensure those needs are met. We also continue to strengthen our existing capability, through a combination of learning, development and performance. The Board Nominations Committee is responsible for reviewing the skills and capability of senior leadership and the whole Board joins a Committee meeting annually to undertake a deep dive on senior management succession planning and bench strength. We have developed a Diversity Acceleration Plan, which aims to improve diversity and inclusion within the ITV workforce, through a combination of development, training and recruitment initiatives. Whilst a certain level of attrition is inevitable, we evaluate root causes through exit interviews and declared reasons for leaving. Furthermore, succession plans have been developed and implemented for business critical and management roles (which includes nominated deputies). Board oversight

		Ongoing updates to and succession planning reviews with the Nominations Committee
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15. COVID-19 pandemic

Management Board owner: Carolyn McCall

Description	Context	Mitigating activities
The COVID-19 pandemic and the resulting government interventions may have longer-term implications on our operational continuity, safety of our people and cost base.	- We have recategorised COVID-19 as an operational risk (previously strategic risk), with the acknowledgement that managing the risks associated with the pandemic is now a business as usual requirement and we have significantly increased our resilience to the potential strategic impacts - We are continuing to observe operational challenges associated with the pandemic, including: - The potential for high employee absence, resulting in challenges in operational and production delivery. - Increased costs of operating, as a result of ongoing implementation of COVID-19 safety protocols in our offices and on our productions. - Challenges associated with international travel, resulting in some impact to productions. Changes in direction of travel Whilst we acknowledge COVID-19 will remain an ongoing uncertainty, and have operational impact on our business, our increased resilience to this risk, as a result of our mitigations, means this risk is static.	We have developed a COVID-19 response governance structure, with responsibility for managing the risks associated with the crisis. This is supported by a Project Management Office function, which regularly reports into the Management Board and the Board. Our focus is on managing the risks associated with COVID-19 across five fronts: Situational Analysis: Regular conversations with government and external advisers to understand how the crisis is playing out medically, politically and economically Cash and Costs: Modelling our financial position across a range of scenarios (informed by situational analysis), developing cost mitigations (with defined trigger points), and cash monitoring and management Revenue: Developing and implementing plans to continue identifying opportunities and mitigate against negative sales impacts Technology and Operations: Invoking existing business continuity plans to ensure critical operations can continue through the crisis People and Comms: Putting in place processes and responses that protect the health and wellbeing of our people, cast, crew, participants and support the wider community We also continue to make improvements to our crisis management and business continuity approach across the Group, in response to the COVID-19 pandemic. We have identified further activities to protect our critical services and have implemented these activities into business as usual. This has included implementing additional security measures on our enterprise systems, improving efficiency and resilience in production through technology and remote editing and increasing the adoption of tools to facilitate remote working. Board oversight - Monthly reports to the Board on the emerging COVID-19 situation and impact to ITV

External Viability Statement	
How we assess prospects and risk	How we assess viability
The Board continually assesses ITV's prospects and risks at its meetings, including the following: - Holding "Strategy Days" twice a year, to oversee the delivery of the Strategy and consider changes to or new initiatives to further improve the ITV Strategy. Further detail can be found in the overview of Board meetings in 2021, which will be included in the Governance section of our 2021 Annual Report and Accounts - Considering ad-hoc topics on strategic areas at the periodic Board meetings. Further detail can be found in the overview of Board meetings in 2021, which will be included in the Governance section of our 2021 Annual Report and Accounts - Performing a full review of the principal and emerging risks twice a year. Further detail can be found earlier within the Principal Risks and Uncertainties section - Performing periodic deep dives on specific risk areas, to further scrutinise the effectiveness of risk mitigation approaches and confirm operation within risk appetite. Further detail can be found earlier within the Principal Risks and Uncertainties section	When assessing the longer-term viability of ITV, we considered (i) ITV's strategy and business plan; (ii) the principal risks and uncertainties; (iii) the Group's financing facilities including covenant tests and future funding plans; (iv) the long range financial plan and cash forecast; and (v) other sensitivity factors or risks which have the potential to materially impact liquidity and cash in the assessment period. Based on this review a set of hypothetical and downside scenarios were developed. We then modelled these scenarios against the long range financial plan and cash forecast both individually and in parallel, in order to assess viability. Whilst all the risks identified, could have an impact on ITV's performance, the scenarios reflect the specific risks which could potentially impact the Group's financial position and long-term viability. The output from this work was reviewed and approved by the Board and the Audit & Risk Committee. In reaching its view, the Board and Committee also considered external views, including: analyst commentary, to understand the wider market and views on the Group's future prospects; and the external auditor's findings and conclusions on this matter. Further detail of the work performed by the Audit & Risk Committee to consider assumptions applied in

As part of the assessment of prospects and risks the Board and management routinely cover topics related to changing audience behaviours, new market entrants and competitor strategies, and broader advertising and studios market developments globally. Specific sessions have also been held on our new Streaming strategy and how that supports our longer term prospects; the global content market and ITV Studios longer term prospects and position within this market; business resilience to environmental and climate related risks; technological advancements in the areas of addressable advertising and how the ITV Strategy responds to these; and sessions led by external analysts on the market perception of the ITV business. Underpinning this the Board and management continued to closely scrutinise the impact of Covid-19 on the business. This included developing a range of Covid-19 scenarios for 2021 and beyond and modelling their potential financial impact; identifying cost interventions/mitigations to respond to severe downside scenarios; and increasing the level of financial performance reviews and reforecasting to track performance against these scenarios.	the assessment viability. This will be included in the Governance section of our 2021 Annual Report and Accounts
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Assessment period for viability

The Board reviewed the long range financial and strategic planning horizon and is of the view that a three year assessment period (this year, to 31 December 2024) continues to be most appropriate. The factors the Board considered in adopting this timeframe were as follows:

- The situation with respect to the COVID-19 pandemic remains uncertain and is likely to continue impacting ITV in the medium term. We are closely monitoring the external environment and continue to manage the risks associated with the pandemic to support us in returning to pre-Covid performance levels. Further detail of our response to COVID-19 is provided within the COVID-19 principal risk mitigations in our Principal Risks and Uncertainties section
- Visibility over ITV's broadcast advertising business is relatively short term. Advertising remains cyclical and closely linked to the UK economic growth, which may continue to be impacted by the COVID-19 pandemic, Brexit and other uncertainties in the UK macroeconomic climate.
- The commissioning process and life cycle of programming gives the ITV Studios division a more medium-term outlook. However, while non-returning brands are replaced with new commissions, over time there is less visibility as programmes can experience changes in viewer demand or come to a natural expiration
- Technology and innovation in the media industry continues to change the demand for content and also how it is consumed
- Pension funding, which is one of ITV's key funding obligations, is agreed triennially with the Trustees of the pension schemes
- ITV's business model does not necessitate investment in long term capital projects that would require a longer-term horizon assessment or returns

Assumptions applied

We applied the following assumptions when assessing viability:

- There is the possibility of local lockdowns during this period, but unlikely to be further national lockdowns in the UK
- There will be ongoing additional production costs associated with COVID-19 protocols and health and safety measures
- The total content costs in 2022 will be around £1.23 billion increasing to £1.35 billion in 2023, in order to fund additional content for ITVM and is expected to continue at around this level
- To truly further stress test viability we have included a downside scenario that includes failure to meet the remainder of our publicly disclosed incremental financial cost savings targets £17 million by the end of 2022
- We have ongoing access to the UK bond market, but with an increased interest rate on bonds renewed in the period to reflect a potential decrease in credit rating

Taking into account current operational and financial performance, the Board has in particular analysed the impact of the following hypothetical scenarios. These scenarios were assessed in isolation, as combinations of two or three, and all in parallel to further stress test viability:

Refer to Principal Risks or Accounting judgements and estimates within the financial information

Scenario 1	
Scenario modelled	Principal risks
A significant and sustained downturn in the advertising revenue from 2021, as a result of audience and/or market decline, driven by COVID-19, Brexit or other macro economic factors. In this scenario we also fail to replace the advertising revenue lost as a result of the confirmed restrictions on HFSS (announced to come into effect from start of 2023) & potential restrictions on other advertising categories (e.g. gambling and high carbon products)	Changing viewing habits – A failure to anticipate or respond to fast changing viewer habits and behaviours may impact total viewing and the success of our channels.

Advertising revenues (2022 vs 2021 - (2%); 2023 vs 2022 - (6%); 2024 vs 2023 - 2%) Business area impacted Media & Entertainment	Advertising market changes: Continued changes in the advertising market may result in a decline in ITV's advertising revenue. Policy and regulatory changes: Changes to policy and regulation or a failure by the Government to regulate may have a negative impact on the future of public service broadcast, our business model and/or the cost of operation. COVID-19 pandemic: The impact of the COVID-19 pandemic and the resulting government interventions may have longer term implications on the macro-economic environment and our ability to deliver our strategy, which could negatively impact our business. Further detail of how we are mitigating these risks is provided in the principal risk and uncertainties section
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Scenario 2	
Scenario modelled	Principal risks
A number of key programme brands within the ITV Studios division are not recommissioned and new format growth does not materialise. Although 2022 would typically be too imminent for commissioners to make a decision to cancel a show, we have included the scenario from 2022 onwards to reflect ongoing risk of decreased production activity / delivery due to COVID-19. The scenario assumes key shows come to an end from 2022 (2022 impact: c. £11 million; 2023 impact c. £36 million and 2024 impact: c. £65 million pa) Business area impacted ITV Studios	Evolving demand in the content market: Fundamental changes in the content market may result in reduced opportunities for and/or profitability of ITV Studios content. COVID-19 pandemic: The impact of the COVID-19 pandemic and the resulting government interventions may have longer term implications on the macro-economic environment and our ability to deliver our strategy, which could negatively impact our business. Further detail of how we are mitigating these risks is provided in the principal risk and uncertainties section

Scenario 3	
Scenario modelled	Principal risks
A significant change in ITV's pension funding obligations, following the triennial valuation in 2022 resulting in a significant increase in pension deficit funding payments. This scenario assumes that pension funding payments increase to £115 million p.a. in 2022 and remain flat in the following two years. Business area impacted Group	Pension deficit increases: A financial crisis or macroeconomic change could impact the value of pension scheme investments and increase the deficit. Further detail of how we are mitigating these risks is provided in the principal risk and uncertainties section

Scenario 4	
Scenario modelled	Principal risks
Settlements for ongoing litigation are significantly higher than estimated, resulting in large one-off cash payments. This scenario assumes a higher than provisioned payment in 2023 in respect of ongoing litigation for Box Clever (see note 3.5 to the financial information). Business area impacted Group	Accounting judgements and estimates: The complexity and potential scale of the ongoing litigation settlements and earnout negotiations, results in a lack of certainty in the final liabilities and payments Further detail of the accounting judgements and estimates applied to ongoing litigation and earnouts are provided in Section 1 to the financial information. An overview of the assessments performed by the Audit & Risk Committee with respect to these accounting judgements is provided within the Audit & Risk Committee report, which will be included in the Governance section of our 2021 Annual Report and Accounts.

Scenario 5	
Scenario modelled	Principal risks
Our Streaming strategy fails to fully deliver the expected advertising revenue (for the AVOD element) or subscriber growth (for the SVOD element), impacting growth This scenario assumes we under-deliver against our viewing and subscriber growth plans for ITVX (resulting in EBITA reductions of £78 million in 2023 & £84 million in 2024) Business area impacted Media & Entertainment	Insufficient Streaming growth: Our Streaming products do not grow at the pace required to deliver the desired strategic or financial outcomes. Further detail of how we are mitigating these risks is provided in the principal risk and uncertainties section

We have considered the impact of climate change and do not believe it would have a significant financial impact on the business in the assessment period. Please refer to our TCFD report which will be included in our 2021 Annual Report and Accounts, for further detail

Viability assessment

Our balance sheet and liquidity position remains strong. We have considered both the individual scenarios and various combinations of the scenarios in order to assess viability. If any of the above scenarios were to occur in isolation or any combination of four scenarios were to occur concurrently we would maintain sufficient liquidity and would not breach any banking covenants throughout the viability period.

Additional sensitivity analysis, to further test the model, was performed on advertising revenue to assess the impact of a 10% reduction in 2022, and further reductions of 5% in 2023 and 2024. If this scenario were to occur in isolation we would still maintain sufficient headroom to remain viable and would not risk breaching our covenants.

Management and the Board are of the view that the likelihood of all the above scenarios and sensitivities occurring concurrently is very remote. We have developed mitigations for each of the above risks which are detailed in our earlier Principal Risks and Uncertainties section. However, if all the scenarios were to occur and no action was taken to mitigate the financial losses sustained ITV would maintain sufficient liquidity but would risk breaching the EBITA/Net Debt covenant for the RCF in 2024.

Potential mitigations

There are reasonable options at the disposal of the Board to avoid breaching facilities covenants and maintain sufficient liquidity to continue operations. These include but are not limited to, reducing capital and investment expenditure, suspending payment of discretionary bonuses, reducing the programming budget, further reductions in operational and overhead costs, suspending payment of an annual dividend and refinancing the pension asset.

In the improbable event that all scenarios were to impact ITV concurrently and in order to avoid breaching our covenants, we would need to take actions to maintain 85% profit to cash conversion, deliver the remainder of our incremental cost savings target (£17 million) and replace the SDN pension asset, resulting in £120 million reduction in cash outflow in 2023. These mitigations are within ITV's control and could be delivered within a reasonable timeframe, and could be supplemented with any of the other mitigation measures noted above to avoid covenant breaches.

Viability statement

Based on the above, the Board has a reasonable expectation that ITV will remain viable and be able to continue in operation and meet its liabilities as they fall due over the three year-period ending 31 December 2024. The assessment has been made with reference to ITV's strategy and the current position and prospects and risks.

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

Chris Kennedy
Group Chief Finance Officer & Chief Operating Officer
3 March 2022

Financial Information

In this section

The financial information has been presented in a style that attempts to make them less complex and more relevant to shareholders and other stakeholders. 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 information provide information required by statute, accounting standards or Listing Rules to explain a particular feature of the financial information. The notes are a part of the financial information and will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the Annual Report and the financial information.

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Consolidated Income Statement

For the year ended 31 December	Note	2021 £m	2020 £m
Revenue	2.1	3,453	2,781
Operating costs		(2,934)	(2,425)
Operating profit		519	356
Presented as:			
Earnings before interest, tax and amortisation (EBITA) before exceptional items	2.1	784	561
Operating exceptional items	2.2	(196)	(118)
Amortisation and impairment	3.3, 3.4	(69)	(87)
Operating profit		519	356
Financing income	4.4	8	2
Financing costs	4.4	(58)	(46)
Net financing costs	4.4	(50)	(44)
Share of profits after tax of joint ventures and associated undertakings	3.4	12	9
Gain on sale of non-current assets	3.2	–	4
Loss on sale of subsidiaries and investments		(1)	–
Profit before tax		480	325
Taxation	2.3	(92)	(44)
Profit for the year		388	281
Profit/(loss) attributable to:			
Owners of the Company		378	285
Non-controlling interests	4.7.6	10	(4)
Profit for the year		388	281
Earnings per share			
Basic earnings per share	2.4	9.4p	7.1p
Diluted earnings per share	2.4	9.3p	7.1p

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Note	2021 £m	2020 £m
Profit for the year		388	281
Other comprehensive (expense)/income:			
Items that are or may be reclassified to profit or loss			
Revaluation of financial assets	4.7.4	–	4
Net gain/(loss) on cash flow hedges and costs of hedging	4.7.3	15	(6)
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	16	(19)
Items that will never be reclassified to profit or loss			
Remeasurement (losses)/gains on defined benefit pension schemes	3.6	(58)	5
Income tax credit/(charge) on items that will never be reclassified	2.3	3	(1)
Other comprehensive expense for the year, net of income tax		(24)	(17)
Total comprehensive income for the year		364	264
Total comprehensive income/(expense) attributable to:			
Owners of the Company		355	268
Non-controlling interests	4.7.6	9	(4)
Total comprehensive income for the year		364	264

Consolidated Statement of Financial Position

	Note	31 December 2021 £m	31 December 2020 [*] £m
Non-current assets			
Property, plant and equipment	3.2	254	285
Intangible assets	3.3	1,478	1,545
Investments in joint ventures, associates and equity investments	3.4	98	77
Derivative financial instruments	4.3	–	2
Distribution rights	3.1.2	21	18
Contract assets	3.1.6	6	7
Defined benefit pension surplus	3.6	26	22
Other pension asset	3.6	62	62
Deferred tax asset	2.3	37	34
		1,982	2,052
Current assets			
Programme rights and other inventory	3.1.1	313	308
Trade and other receivables due within one year	3.1.3	589	458
Trade and other receivables due after more than one year	3.1.3	42	46
Trade and other receivables		631	504
Contract assets	3.1.6	543	409
Current tax receivable	2.3	32	6
Derivative financial instruments	4.3	3	6
Restricted cash	4.1	50	50
Cash and cash equivalents	4.1	686	618
		2,258	1,901
Current liabilities			
Borrowings	4.1, 4.2	(290)	(7)
Lease liabilities	4.6	(21)	(22)
Derivative financial instruments	4.3	(5)	(7)
Trade and other payables due within one year	3.1.4	(849)	(959)
Trade payables due after more than one year	3.1.5	(18)	(54)
Trade and other payables		(867)	(1,013)
Contract liabilities	3.1.6	(359)	(271)
Current tax liabilities	2.3	(20)	(25)
Provisions	3.5	(120)	(59)
		(1,682)	(1,404)
Net current assets		576	497
Non-current liabilities			
Borrowings	4.1, 4.2	(732)	(1,078)
Lease liabilities	4.6	(71)	(83)
Derivative financial instruments	4.3	(37)	(24)
Defined benefit pension deficit	3.6	(96)	(110)
Deferred tax liabilities	2.3	(12)	(20)
Other payables	3.1.5	(67)	(61)
Provisions	3.5	(25)	(22)
		(1,040)	(1,398)
Net assets		1,518	1,151
Attributable to equity shareholders of the parent company			
Share capital	4.7.1	403	403
Share premium	4.7.1	174	174
Merger and other reserves	4.7.2	215	224
Translation reserve	4.7.3	41	7
Fair value reserve	4.7.4	13	18
Retained earnings	4.7.5	634	296
Total equity attributable to equity shareholders of the parent company		1,480	1,122
Non-controlling interests	4.7.6	38	29
Total equity		1,518	1,151

* £50 million of cash, the use of which is restricted to meeting the commitments under the asset-backed pension agreements has been presented as restricted cash in 2021. The comparative balances for 31 December 2020 have also been restated.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity shareholders of the parent company						Total £m	Non- controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m	Retained earnings £m			
Balance at 1 January 2021	4.7	403	174	224	7	18	296	1,122	29	1,151
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	378	378	10	388
Other comprehensive (expense)/income										
Net gain on cash flow hedges and costs of hedging	4.7.3	–	–	–	15	–	–	15	–	15
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	–	–	–	17	–	–	17	(1)	16
Remeasurement losses on defined benefit pension schemes	3.6	–	–	–	–	–	(58)	(58)	–	(58)
Income tax (charge)/credit reclass**		–	–	–	7	(4)	(3)	–	–	–
Income tax (charge)/credit on other comprehensive income/(expense)	2.3	–	–	–	(5)	(1)	9	3	–	3
Total other comprehensive income/(expense)		–	–	–	34	(5)	(52)	(23)	(1)	(24)
Total comprehensive income/(expense) for the year		–	–	–	34	(5)	326	355	9	364
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	–	–	(1)	(1)
Movements due to share-based compensation	4.8	–	–	–	–	–	12	12	–	12
Tax on items taken directly to equity	2.3	–	–	–	–	–	1	1	–	1
Total transactions with owners		–	–	–	–	–	13	13	(1)	12
Changes in non-controlling interests	4.7.6	–	–	(9)	–	–	(1)	(10)	1	(9)
Balance at 31 December 2021	4.7	403	174	215	41	13	634	1,480	38	1,518

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve.

** Income tax on other comprehensive income has been reallocated to the relevant reserves from Retained Earnings in the current year.

	Note	Attributable to equity shareholders of the parent company						Total £m	Non- controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m	Retained earnings £m			
Balance at 1 January 2020	4.7	403	174	224	32	14	1	848	30	878
Total comprehensive income/(expense) for the year										
Profit/(loss) for the year		–	–	–	–	–	285	285	(4)	281
Other comprehensive income/(expense)										
Revaluation of financial assets	4.7.4	–	–	–	–	4	–	4	–	4
Net loss on cash flow hedges and costs of hedging	4.7.3	–	–	–	(6)	–	–	(6)	–	(6)
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	–	–	–	(19)	–	–	(19)	–	(19)
Remeasurement gains on defined benefit pension schemes	3.6	–	–	–	–	–	5	5	–	5
Income tax charge on other comprehensive income/(expense)	2.3	–	–	–	–	–	(1)	(1)	–	(1)
Total other comprehensive (expense)/income		–	–	–	(25)	4	4	(17)	–	(17)
Total comprehensive (expense)/income for the year		–	–	–	(25)	4	289	268	(4)	264
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	–	–	(1)	(1)
Movements due to share-based compensation	4.8	–	–	–	–	–	6	6	–	6
Tax on items taken directly to equity	2.3	–	–	–	–	–	3	3	–	3
Total transactions with owners		–	–	–	–	–	9	9	(1)	8
Changes in non-controlling interests	4.7.6	–	–	–	–	–	(3)	(3)	4	1
Balance at 31 December 2020	4.7	403	174	224	7	18	296	1,122	29	1,151

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December	Note	£m	2021 £m	£m	2020 £m
Cash flows from operating activities					
Cash generated from operations before exceptional items	2.1		714		761
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2	(196)		(118)	
(Decrease)/Increase in exceptional payables		(111)		47	
Decrease in exceptional prepayments and other receivables		–		3	
Cash (outflow) from exceptional items			(307)		(68)
Cash generated from operations			407		693
Defined benefit pension deficit funding		(74)		(59)	
Interest received		10		13	
Interest paid*		(53)		(34)	
Net taxation paid		(119)		(88)	
			(236)		(168)
Net cash inflow from operating activities			171		525
Cash flows from investing activities					
Acquisition of property, plant and equipment		(22)		(35)	
Acquisition of intangible assets		(23)		(31)	
Acquisition of investments		(19)		(18)	
Proceeds from sale of property, plant and equipment		–		4	
Proceeds from sale of subsidiaries and available for sale investments		–		5	
Loans granted to associates and joint ventures		(5)		(2)	
Loans repaid by associates and joint ventures		4		5	
Net cash (outflow)/inflow from investing activities			(65)		(72)
Cash flows from financing activities					
Bank and other loans – amounts repaid		(18)		(7)	
Bank and other loans – amounts raised		21		5	
Payment of lease liabilities**		(26)		(22)	
Acquisition of non-controlling interests		(11)		(2)	
Dividends paid to non-controlling interests		(1)		(1)	
Purchase of own shares via employees' benefit trust		–		(1)	
Net cash outflow from financing activities			(35)		(28)
Net increase in cash and cash equivalents			71		425
Cash and cash equivalents at 1 January***	4.1		618		196
Effects of exchange rate changes and fair value movements			(3)		(3)
Cash and cash equivalents at 31 December***	4.1		686		618

* Interest paid includes interest on bank, other loans, derivative financial instruments and lease liabilities.

** Net cash flow on lease liabilities in note 4.1 of £29 million (2020: £26 million) includes interest on lease liabilities included in interest paid of £3 million (2020: £4 million).

*** In 2021, £50 million of cash, the use of which is restricted to meeting the commitments under the asset-backed pension agreements has been restated as restricted cash. The comparative balances for all periods have also been restated.

Notes to the Financial Information

Section 1: Basis of Preparation

In this section

This section sets out the Group's accounting policies that relate to the financial information 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 UK-adopted accounting standards, amendments and interpretations, and whether they are effective in 2021 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

The financial information consolidates 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 registered in England and Wales.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. ITV plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no change on recognition, measurement or disclosure in the financial year reported as a result of the change in framework.

This Group financial information was prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. This Group financial information for the year ended 31 December 2021 does not constitute statutory accounts as defined in section 435 (1) and (2) of the Companies Act 2006. The results for the year to 31 December 2021 have been extracted from the 31 December 2021 audited Consolidated Financial Statements which have been approved by the Board of Directors. Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's Annual General Meeting convened for 28 April 2022. The auditors have reported on these accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounting policies have been applied consistently in the financial years presented, other than where new policies have been adopted.

The financial information is 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 information has been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

The notes form part of the financial information.

Going concern

The management and Board of Directors of ITV plc continue to closely monitor the COVID-19 situation and its impact on business performance and the Group's liquidity position.

As at 31 December 2021, the Group was in a net debt position of £414 million (2020: £545 million), including gross borrowings of £1,150 million (2020: £1,213 million) offset by unrestricted cash of £686 million (2020: £618 million) and restricted cash of £50 million (2020: £50 million).

The Group had, in addition to £686 million of unrestricted cash, a £630 million committed and undrawn Revolving Credit Facility (RCF) expiring in December 2023 (which was subsequently refinanced on 14 January 2022 to a £500 million RCF maturing in January 2027) and a £300 million committed bilateral facility expiring in June 2026, of which £148 million was available at 31 December 2021, providing £1,464 million of liquidity.

Both RCFs are subject to leverage and interest cover semi-annual covenant tests that require the Group to maintain a leverage ratio of below 3.5x and interest cover above 3.0x (as defined in the RCF documentation). As at 31 December 2021, the Group had covenant net debt of £278 million and its financial position was well within its covenants. The leverage and interest cover tests will be tested again on 30 June 2022.

There are no financial covenants in relation to the bonds in issue although there are cross default provisions. Within the next 12 months, the Group's €335 million Eurobond will reach maturity (September 2022).

The Directors have prepared forecasts for three cash flow scenarios (mid, high and low cases), for the period of three years from 1 January 2022 (in line with the viability assessment period). The mid case scenario is the basis for the 2022 Board approved budget. The key assumptions in the scenarios relate to fluctuations in the advertising market due to audience and/or market decline, and therefore the Group's advertising revenue, and the scale and timing of productions for ITV Studios. All scenarios assume increased production costs in the medium term in relation to inflation and COVID-19 protocols as well as continued structural changes in the advertising market and viewing habits. The Directors have also considered a number of sensitivities to the mid case scenario to arrive at a severe but plausible scenario that has been used to assess the appropriateness of preparing this consolidated financial information using the going concern basis. These sensitivities include an increase in pension contributions, settlements in respect of ongoing litigation, lost and/or delayed Studios productions, and a decline in advertising revenue in comparison to 2021. In the severe but plausible downside scenario the Group experiences significant loss of profit and cash outflows but remains able to operate within its financial covenants and has sufficient liquidity.

The Directors will continue to monitor the changing impact of COVID-19 and the Group's performance against the scenarios. In 2021, a 3.3 pence dividend (equivalent to 5.0 pence for the full year) was proposed, subject to approval by shareholders at the AGM on 28 April 2022 (2020: nil). The Directors intend to at least maintain this dividend over the medium term (this was included in all scenarios modelled). The Directors will continue to balance shareholder returns with a commitment to maintain investment grade metrics over the medium term and to continue to invest in the Group's strategy.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of this consolidated financial information and therefore have prepared the consolidated financial information on a going concern basis.

Subsidiaries, joint ventures, associates and investments

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 or losses, less any dividends received 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 are entities where the Group concludes it does not have significant influence and are held at fair value unless the investment is a start-up business, in which case it is valued initially at cost as a proxy for fair value.

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 Consolidated Statement of Financial Position in accordance with IFRS 9 'Financial Instruments':

- Financial assets/liabilities at fair value through OCI – measured at fair value through other comprehensive income – separately disclosed as financial assets/liabilities in current and non-current assets and liabilities or equity investments in non-current assets
- Financial assets/liabilities at fair value through profit or loss – separately disclosed as derivative financial instruments in current and non-current assets and liabilities and included in other payables (put option liabilities and contingent consideration) or convertible loan receivable within other receivables
- Financial assets measured at amortised cost – separately disclosed as cash and cash equivalents and trade and other receivables
- 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, requiring assessment of contractual provisions that do or may change the timing or amount of contractual cash flows. Details of the accounting policies for measurement of the above instruments are set out in the relevant note. Where unconditional rights to set off financial instruments exist, the Group presents the relevant instruments net in the Consolidated Statement of Financial Position.

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 Consolidated 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 and call deposits with a maturity of less than or equal to three months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.

Restricted cash

Restricted cash comprises cash that is held in a restricted bank account as a replacement asset in the pension funding arrangements and is not available to the Group for general business use. The carrying value of restricted cash 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 information is 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. 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, expenses and other comprehensive income 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.

The Group's net investments in companies outside the UK may be hedged where the currency exposure is considered to be material. Hedge accounting is implemented on certain foreign currency firm commitments, for which the effective portion of any foreign exchange gains or losses is recognised in other comprehensive income (note 4.3).

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 foreign subsidiary, 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.

Where a forward currency contract is used to manage foreign exchange risk and hedge accounting is not applied, any impact of movements in currency for both the forward currency contracts and the assets and liabilities is taken to the income statement.

Accounting judgements and estimates

The preparation of financial information 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 material judgement or complexity are set out below. Additional detail on the judgements and sources of estimation uncertainty applied by management are set out in the accounting policies section of the relevant notes:

Area	Key judgements	Key sources of estimation uncertainty
Defined benefit pension (See note 3.6)		Estimates of the assumptions for valuing the defined benefit obligation
Provisions related to Box Clever (see note 3.5)	The basis for calculating the provision	Estimates of the amount required to settle the potential liability
Employee-related provisions (See note 3.5)	The individuals who are included in the calculation	Estimates of the amounts required to settle the liability
Acquisition-related liabilities (See note 3.1.4 and 3.1.5)	Whether future amounts payable are linked to employment	Estimates of cash-flow forecasts to support the calculation of the future liabilities. (Key source of estimation uncertainty in 2020 only)

In addition to the above, there are a number of areas which involve a high degree of estimation and are significant to the financial information but are not expected to have a material impact on them in the next 12 months. The key areas underlying estimation uncertainty include the reviews of onerous contracts and impairment provisions in relation to sports rights, impairment of intangible assets and taxation. More detail on each of these items is given in the relevant notes.

The Directors recognise the climate crisis and the potential impact it may have on both the wider world and the success of the business. The threat continues to evolve and businesses globally have a responsibility to take meaningful action to mitigate and prevent further climate change. The Directors are committed to reducing the impact of the business on the environment. Climate related risks have been identified as an emerging business risk, however the Directors do not view them as a source of material estimation uncertainty for the Group. For further detail, see the Risks and Uncertainties section of the Strategic Report.

New or amended accounting standards

The following new standards and/or amendments are effective 1 January 2021, but have not had a significant impact on the Group's results or Consolidated Statement of Financial Position.

Accounting standard	Requirement
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	The IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.
Amendments to IFRS 17 and Extension of the Temporary Exemption from applying IFRS 9 (Amendments to IFRS 4)	The amendments defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 and change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023 instead of 1 January 2021.
IFRS 16 'Leases'	In response to the COVID-19 coronavirus pandemic, the amendments to IFRS 16 'Leases' to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions

Accounting standards effective in future periods

The Directors have considered the impact on the Group of new and revised accounting standards, interpretations or amendments that are not yet effective and do not expect them to have a significant impact on the Group's results and Consolidated Statement of Financial Position.

Notes to the Financial Information

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.

Adjusted earnings before interest, tax and amortisation (adjusted EBITA) (as defined in the APMs) is 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 adjusted EBITA.

Accounting policies

Revenue measurement and recognition

The Group derives revenue from the transfer of goods and services. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

Customer contracts can have a wide variety of performance obligations, from production contracts to format licences and distribution activities. For these contracts, each performance obligation is identified and evaluated. Under IFRS 15 the Group needs to evaluate if a format or licence represents a right to access the content (revenue recognised over time) or represents a right to use the content (revenue recognised at a point in time). The Group has determined that most format and licence revenues are satisfied at a point in time due to there being limited ongoing involvement in the use of the licence following its transfer to the customer.

The transaction price, being the amount to which the Group expects to be entitled and has rights to under the contract is allocated to the identified performance obligations. The transaction price will also include an estimate of any variable consideration where the Group's performance may result in additional revenues. Variable consideration is estimated based on the achievement of agreed targets, such as audience targets. Variable consideration is recognised only to the extent that it is probable that a significant reversal of revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is stated exclusive of VAT and equivalent sales taxes.

Complexity in advertising revenue measurement and recognition is driven by a combination of automated and manual processes involved in measuring the value delivered to the customer and therefore the value of variable consideration due.

In assessing the transaction price, any non-cash consideration received from a customer is included. Non-cash consideration is measured at fair value. It takes into account the value of what the Group is receiving rather than the value of what the Group is giving up.

Complex one-off contracts in all classes of revenue are assessed individually and judgement is exercised in identifying performance obligations and allocating price to them. Timing of revenue recognition is another area of judgement particularly in respect of contracts particularly in the ITV Studios division to assess whether revenue should be recognised at a point in time or over time.

Revenue recognition criteria for the Group's key classes of revenue are as follows:

Segment	Major classes of revenue	Payment terms
ITV Studios		
Programme production	Revenue generated from the programmes produced for broadcasters and OTT platforms in the UK, US and internationally is recognised at the point of delivery of an episode and acceptance by the customer. Revenue from producer for hire contracts, where in an event of cancellation cost is recovered plus a margin, is recognised over time	Payment term is over the term of the contract
Format licences	A licence is granted for the exploitation of a format in a stated territory, media and period. Licence revenue is recognised when the licence period has commenced (point in time)	Payment term is over the term of the contract
Programme distribution rights	A licence is granted for the transmission of a programme in a stated territory, media and period and revenue is recognised at the point when the contract is signed, the content is available for download and the licence period has started (point in time)	Payment term is over the term of the contract

Segment	Major classes of revenue	Payment terms
Media & Entertainment		
Total advertising revenue	- Net advertising revenue is generated from selling spot airtime on linear TV and is recognised at the point of transmission - Online advertising revenue from video on demand (VOD) is generated from selling advertising on the ITV Hub and is recognised at the point of delivery - Revenue from the sponsorship of programmes across ITV linear channels and online is recognised over the period of transmission	- Received in the month after transmission - Received in the month after campaign is delivered - Received prior to transmission
Subscriptions	- Pay revenue is generated from the provision of HD channels, catch up content and licences to ready-made programmes in the form of box sets to third parties and is recognised either over the term of the contract or per subscriber or download (point in time) - Revenue from subscription services is recognised over the subscription period	Payment term is over the term of the contract or subscription period
SDN	Revenue is generated from the carriage fee or capacity of the digital multiplex and is recognised over the term of the contract	Payment term is over the term of the contract
Partnerships and other revenue	- Revenue from platforms such as Sky and Virgin Media O2, and third-party commissions - Interactive revenue is earned from entries to competitions and is recognised as the event occurs (point in time)	- Payment term is over the term of the contract - Payment term is within two months of the competition being aired

In October 2020, the Group announced a restructure of its Broadcast segment to better reflect and serve the changing viewing habits. As part of the restructure, which came into effect from 1 April 2021, Broadcast has been renamed Media & Entertainment (M&E).

As part of the restructure, Gaming, Live Events and Merchandising has been transferred from M&E to ITV Studios and is now reported within Global Formats and Distribution, as this revenue stream better aligns with ITV Studios. As a result, we have re-presented the revenue and adjusted EBITA for 2020 to reflect this transfer. Gaming, Live Events and Merchandising had revenue for 2021 of £7 million (31 December 2020: £5 million) and adjusted losses before interest, tax and amortisation of £2 million (31 December 2020: £nil). The comparative information has been re-presented to reflect this change.

We have also re-categorised non-advertising revenues to reflect how revenues are now reviewed internally within the M&E segment. Subscriptions is a new category consisting of subscription revenue generated directly from streaming services and includes ITV Hub+ and BritBox UK. Partnerships and other revenue is also a new category and includes revenues from platforms, such as Sky and Virgin Media O2, competitions revenue, third-party commission and commercial revenue from our creative partnerships. The Direct to Consumer category is no longer used. The comparative information has been re-presented to reflect these changes.

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

	2021 £m	2021 % of total	Re-presented*** 2020 £m	Re-presented*** 2020 % of total
ITV Studios UK	683		535	
ITV Studios US	372		234	
ITV Studios International	407		343	
Global Formats and Distribution	298		263	
Total ITV Studios*	1,760	44%	1,375	42%
Total advertising revenue ('TAR')	1,957	48%	1,577	48%
Subscriptions	42		27	
SDN	70		73	
Partnerships and other revenue	213		208	
Media & Entertainment	2,282	56%	1,885	58%
Total revenue**	4,042		3,260	

* ITV Studios UK, ITV Studios US and Studios International revenues are mainly programme production. Global Formats and Distribution revenue is from programme distribution rights, format licences and gaming, live events and merchandising

** Includes internal supply as discussed in the APMs

*** 2020 revenue is re-presented to reflect the change in composition of the operating segments following the reorganisation of M&E mentioned above

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 Management Board. The Management Board is regarded as the chief operating decision-maker and considers the business, primarily from an operating activity perspective.

Following the restructure, the Groups' segments are now Media & Entertainment and ITV Studios, the results of which are outlined in the following tables:

	ITV Studios ⁽ⁱ⁾ 2021 £m	Media & Entertainment 2021 £m	Consolidated 2021 £m
Total segment revenue	1,760	2,282	4,042
Intersegment revenue	(583)	(6)	(589)
Revenue from external customers	1,177	2,276	3,453
Adjusted EBITA⁽ⁱⁱ⁾	215	598	813

	Re-presented ITV Studios 2020 £m	Re-presented Media & Entertainment 2020 £m	Consolidated 2020 £m
Total segment revenue	1,375	1,885	3,260
Intersegment revenue ⁽ⁱ⁾	(472)	(7)	(479)
Revenue from external customers ⁽ⁱⁱⁱ⁾	903	1,878	2,781
Adjusted EBITA^{(ii) (iii)}	152	421	573

(i) Intersegment revenue originates mainly in the UK

(ii) Adjusted EBITA is EBITA adjusted to exclude exceptional items and includes the benefit of production tax credits. It is stated after the elimination of intersegment revenue and costs

(iii) 2020 revenue and adjusted EBITA is re-presented to reflect the change in composition of the operating segments following the reorganisation of M&E mentioned above

The Group's principal operations are in the United Kingdom. Revenue from external customers in the United Kingdom is £2,365 million (2020: £1,985 million), and revenue from external customers in other countries is £1,088 million (2020: £796 million). Revenue of £485 million (2020: £312 million) was generated in the US during the year. The Operating and Financial Performance Review provides further detail on ITV's international revenues. The US represented £431 million of non-current assets at year end.

Intersegment revenue, which is earned on arm's length terms, is mainly generated from the supply of ITV Studios programmes to Media & Entertainment for transmission primarily on the ITV network. This revenue stream is a measure that informs the Group's strategic priority of building a strong international content business, as producing and retaining rights to the shows broadcast on the ITV network benefits the Group further from subsequent international content and format sales.

In preparing the segmental information, centrally managed costs have been allocated between reportable segments on a methodology driven principally by revenue, headcount or building occupancy of each segment. This is consistent with the basis of reporting to the Board of Directors.

There are two media buying agencies (2020: two) acting on behalf of a number of advertisers that represent the Group's major customers. These agencies are the only customers that individually represent over 10% of the Group's revenue, with £593 million (2020: £471 million) and £353 million (2020: £303 million) respectively, revenue derived from these customers. This revenue is attributable to the Media & Entertainment segment.

Timing of revenue recognition

The following table includes classes of revenue from contracts disaggregated by the timing of recognition:

	2021 £m	2020* £m	2021 £m	2020* £m
	Products and services transferred at a point in time		Products and services transferred over time	
Total advertising revenue, subscriptions, SDN and other M&E	1,952	1,582	324	296
Programme production, programme distribution rights	914	687	184	116
Format licences	74	94	5	6
Total external revenue	2,940	2,363	513	418

*2020 re-presented to reflect the change in composition of the operating segments following the M&E reorganisation

Forward bookings

The following table includes revenue from contracts signed before the reporting date that is to be recognised in periods after the reporting date (i.e. the performance obligations remain unsatisfied or partially unsatisfied at the reporting date):

	2022 £m	2023 £m	2024 £m	Beyond £m
Media & Entertainment	150	90	64	107
ITV Studios *	181	162	19	13
Total revenue	331	252	83	120

* Includes internal supply.

The Group applies the practical expedients in IFRS 15 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of less than one year or where the price is not yet known (e.g. net advertising revenue (NAR)).

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 70% of ITV main channel spend on commissioned programming (2020: 68%). Programming is also sold to other UK broadcasters and OTT platforms.

ITV Studios US is the leading unscripted independent producer of content in the US and is growing its scripted presence by increasing investment in high-profile dramas.

ITV Studios also operates in ten other international locations, together called ITV Studios International, being Australia, Germany, France, Italy, Spain, the Netherlands, Sweden, Norway, Finland and Denmark where content is produced for local broadcasters and international OTT platforms. This content is either locally created IP or formats that have been created elsewhere by ITV, primarily in the UK, the Netherlands and in Israel.

ITV Studios Global Formats and Distribution division operates three centres of excellence – The Creative Network, Global Distribution and Global Entertainment. This enables the Group to create more hits, to build better brands and formats internationally and to monetise them effectively. Global Formats and Distribution license ITV's finished programmes, formats and third-party content internationally. Within this business, the Group also finances productions both on and off ITV to acquire global distribution rights.

Media & Entertainment

As detailed above, with effect from 1 April 2021, Broadcast has been renamed Media & Entertainment ('M&E') with two business streams – Broadcast and Streaming. The Broadcast business is the home of ITV main channel, ITV3 and ITV4 channels, and continues to deliver ITV's USP of mass simultaneous reach. The Streaming business focuses on driving digital viewing by providing content that appeals to audiences who do most or all of their viewing on demand, and serving it to them in whatever way they want to access it. It includes our advertiser funded channels of ITV Hub, ITV2, ITVBe and CITV and SVOD through ITV Hub+ and BritBox.

Adjusted EBITA

The Directors assess the performance of the reportable segments based on a measure of adjusted EBITA. The Directors use this non-IFRS measurement basis as it excludes the effect of transactions that could distort the understanding of the Group's performance for the year and comparability between periods. See the Operating and Financial Performance Review for the detailed explanation of the Group's use of adjusted performance measures. A reconciliation of adjusted EBITA to reported profit before tax is provided as follows:

	Note	2021 £m	2020 £m
Adjusted EBITA		813	573
Production tax credits		(29)	(12)
EBITA before exceptional items		784	561
Operating exceptional items	2.2	(196)	(118)
Amortisation and impairment		(69)	(87)
Net financing costs	4.4	(50)	(44)
Share of profits of joint ventures and associated undertakings		12	9
Gain on sale of non-current assets		–	4
Loss on sale of subsidiaries and investments		(1)	–
Reported profit before tax		480	325

Cash generated from operations

A reconciliation from profit before tax to cash generated from operations before exceptional items is as follows:

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Reported profit before tax		480	325
Add back:			
Gain on sale of non-current assets (exceptional items)		–	(4)
Loss on sale of subsidiaries and investments (exceptional items)		1	–
Share of profits of joint ventures and associated undertakings		(12)	(9)
Net financing costs	4.4	50	44
Operating exceptional items	2.2	196	118
Depreciation of property, plant and equipment (net of exceptional items)	3.2	59	57
Amortisation and impairment		69	87
Share-based compensation	4.8	12	6
(Increase)/decrease in programme rights and distribution rights		(6)	16
(Increase)/decrease in receivables and contract assets		(270)	2
Increase/(decrease) in payables and contract liabilities		135	119
Movement in working capital		(141)	137
Cash generated from operations before exceptional items		714	761

Operating costs

The major components of operating costs of £2,934 million (2020: £2,425 million) are network schedule costs of £1,100 million (2020: £935 million), other net costs of production of £957 million (2020: £755 million), staff costs of £553 million (2020: £473 million), depreciation, amortisation and impairment of £128 million (2020: £144 million) and operating exceptional items of £196 million (2020: £118 million).

Staff costs

Staff costs before exceptional items can be analysed as follows:

	2021 £m	2020 £m
Wages and salaries	441	382
Social security and other costs	69	55
Share-based compensation (see note 4.8)	12	6
Pension costs	31	30
Total staff costs	553	473
Less: staff costs allocated to productions	(221)	(191)
FTEE staff costs (non-production)	332	282

Exceptional staff costs are disclosed separately in note 2.2.

Full-time equivalent employees (FTEE) include those FTEEs that are allocated to the cost of productions during the year, however they exclude short-term contractors and freelancers who are engaged on productions. The weighted average FTEE over the year is:

	2021	2020
ITV Studios	3,816	3,893

Media & Entertainment	2,499	2,380
	6,315	6,273

The monthly average number of people employed over the year is:

	2021	2020
ITV Studios	4,109	4,064
Media & Entertainment	2,509	2,451
	6,618	6,515

As a result of the M&E restructure, a significant number of technology employees are now allocated to the M&E division resulting in the increase in FTEE. This is in line with the updated strategy. Details of Directors' emoluments, share options, pension entitlements and long-term incentive scheme interests are set out in the Remuneration Report. ITV plc Executive Directors' gains on share options for 2021 are set out in the ITV plc Company financial information.

Depreciation

Depreciation in the year was £59 million (2020: £57 million), of which £39 million (2020: £36 million) relates to ITV Studios and £20 million (2020: £21 million) to Media & Entertainment. A further £8 million in respect of accelerated depreciation following a change in useful life of the related assets in relation to the move to a new London site has been included in exceptional items. See notes 2.2 and 3.3 for further details.

Audit fees

The Group's auditor in 2021 is PricewaterhouseCoopers LLP (PwC). In previous years, the position was held by KPMG LLP (KPMG). The Group may engage PwC on assignments additional to its statutory audit duties where its expertise and experience with the Group are important and are in line with Group's policy on auditor independence. In 2021, no non-audit fees, other than in respect of audit-related assurance services (being the review of the interim results for the six months to 30 June 2021) were paid to PwC (2020: KPMG: £nil). Fees paid to PwC and its associates during the year (2020: paid to KPMG and its associates) are set out below:

	PWC 2021 £m	KPMG 2020 £m
For the audit of the Group's annual financial statements	1.8	0.9
For the audit of subsidiaries of the Group	1.5	0.9
Audit-related assurance services	0.2	0.3
Total audit and audit-related assurance services	3.5	2.1
Other assurance services	—	—
Total non-audit services *	—	—
Total fees paid to auditor	3.5	2.1

* See details of non-audit services policy in the Audit and Risk Committee Report.

** Fees paid to KPMG in 2021 in relation to the completion of prior period subsidiary financial statements was £0.2 million.

There were no fees payable in 2021 to PwC or in 2020 to KPMG or their associates for the auditing of financial statements of any associate or pension scheme of the Group, internal audit, and 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.

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. 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 highlighted on the face of the Consolidated Income Statement. See the Operating and Financial Performance Review for the detailed explanation of the Group's use of adjusted performance measures. 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.	2021 £m	2020 £m
Operating exceptional items:			
Acquisition-related expenses	A	(109)	(13)
Restructuring, transformation and property costs	B	(16)	(11)
Pension related costs	C	(21)	(37)
COVID-19	D	–	(11)
Sports rights	E	(1)	(23)
Transponder onerous contract	F	(16)	(19)
Employee-related tax provision	G	(22)	–
Other	H	(11)	(4)
Total operating exceptional items		(196)	(118)
Tax on operating exceptional items		16	22
Total operating exceptional items net of tax		(180)	(96)
Non-operating exceptional items:			
Financing exceptional item: acquisition-related	I	(10)	–
Total non-operating exceptional items		(10)	–
Tax on non-operating exceptional items		–	–
Total exceptional items net of tax		(190)	(96)

A. Acquisition-related expenses

Acquisition-related expenses of £109 million (2020: £13 million) relate to performance-based, employment-linked expected payments to former owners, with the Talpa acquisition accounting for the majority of the amount charged in 2021. On 23 July 2021, the final determination of the second and final earnout on the Talpa acquisition was received from the independent arbiter, resulting in an additional amount payable of €125 million (£108 million).

B. Restructuring, transformation and property costs

Restructuring costs of £8 million (2020: £11 million) relate to one-off significant restructuring and transformation programmes of the business. Significant programmes in the year were the finalisation of the Media & Entertainment restructure, which commenced in the latter half of 2020, and a significant Board-approved business transformation programme, which commenced in 2021. This programme includes the implementation of a new cloud-based ERP solution, a software as a service (SaaS) solution where the implementation costs are expensed as incurred. The implementation commenced in 2021 and is expected to continue throughout 2022. Additional exceptional costs related to the business transformation programme of between £60 million and £65 million are expected to be incurred over the next two years.

Following the decision to move to Broadcast Centre in early 2022, £8 million (2020: £nil) of property costs and move related costs have been recognised as exceptional, including accelerated depreciation following a change in useful life of the related assets. Additional exceptional costs related to the property move of between £20 million and £25 million are expected to be incurred over the next two years.

C. Pension related costs

During the prior year, a provision was recognised for an estimate of the settlement in relation to the Box Clever case for £31 million. The provision has been increased by £21 million in 2021 reflecting an increase in management's estimate of the provision required. The treatment of this increase as exceptional is consistent with the recognition of the £31 million provision in 2020 as an exceptional charge. See 3.5 for further details. The comparative balance for 31 December 2020 has been reclassified from 'Other' exceptional costs to provide clearer reporting.

On 20 November 2020, a High Court ruling determined that pension schemes need to address inequalities between men and women in Guaranteed Minimum Pension (GMP) for those members that transferred out of the Schemes between May 1990 and October 2018. A past service cost for GMP Equalisation in transfers out of £1 million was recognised in the prior year. Also during 2020, the Group completed the rectification of historical benefits of the members of the Network Section of Section A of the ITV Pension Scheme. The change in benefits of £5 million was recognised as an exceptional past service cost in the prior year. Further details are provided in note 3.6.

D. COVID-19 directly related costs

Costs directly related to the COVID-19 pandemic have been recognised as exceptional items. These included £9 million in 2020 related to the costs incurred in productions shutting down and restarting in a safe environment and additional one-off costs to maintain production during the lockdown for certain daytime shows. Despite the ongoing impact of COVID-19 on the business of ITV throughout 2021, there were no directly related costs.

E. Sports rights

The impact of COVID-19 on the planned sporting schedule and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events, resulted in the recognition of a £23 million provision for impairment of specific sports rights in 2020. It is not possible to split this impairment between that caused by the COVID-19 pandemic and underlying market movements. The Group has recognised a net increase of £1 million to this specific provision in 2021. The remaining provision (£5 million) will be utilised in 2022.

F. Transponder onerous contract

During 2020, we commenced a review of the efficiency of our transponder capacity usage with a view to reducing our capacity requirements. This has allowed us to reorganise our channels over fewer transponders with the result that we have cleared all channels from two transponders and are no longer utilising them. In 2020, we provided for an onerous contract of £19 million from the date the first transponder was cleared and in 2021, the second transponder capacity was cleared and a second onerous contract provision was recognised for £16 million. The comparative cost in 2020 for 31 December 2020 has been reclassified from 'Other' exceptional costs to provide clearer reporting.

G. Employee-related tax provisions

The determination of the employment tax status of some individuals contracted by the Group is complex. In March 2021, HMRC issued an initial assessment on several individuals engaged by the Group during the tax year 2016/17 as employed for tax purposes. In June 2021, HMRC updated guidance on factors determining the employment tax status of TV and Radio presenters. Following this assessment and HMRC's updated guidance, the Group has undertaken a review of the tax status of individuals and used best endeavours to estimate that circa £22 million may be assessed as payable for periods up to 31 December 2020. Landmark court cases are being heard by the Court of Appeal in early 2022. Whilst the Group is not involved in these cases, judgements handed down will impact on how employment tax status is determined for TV and Radio presenters generally and will therefore have a bearing on how much tax might be payable by the Group. As a consequence of this, the final amount payable for periods up to December 2020 could be significantly different to the £22 million currently provided.

H. Other

Included in other are legal costs in relation to litigation outside the normal course of business and a provision for costs related to The Voice of Holland.

In early 2022 allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. An external investigation of the allegations is currently ongoing. While unquantifiable at present, there may be further financial impact on the Group.

I. Acquisition-related (net financing exceptional item)

Exceptional finance costs of £10 million relate principally to interest accrued on exceptional acquisition-related expenses.

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 Consolidated 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 year is recognised in the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and directly in equity, according to the accounting treatment of the related transactions. The tax charge comprises both current and deferred tax. The calculation of the Group's tax charge involves 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 and judgement of the additional taxes that are likely to become due. 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

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 – Consolidated Income Statement

The total taxation charge in the Consolidated Income Statement is analysed as follows:

	2021 £m	2020 £m
Current tax:		
Current tax charge on profit before exceptional items	(108)	(73)
Current tax credit on exceptional items	11	21
	(97)	(52)
Adjustments related to prior periods	(7)	7
	(104)	(45)
Deferred tax:		
Origination and reversal of temporary differences	1	3
Deferred tax credit on exceptional items	5	–
Impact of changes to statutory tax rates	(4)	(2)
	2	1
Adjustments related to prior periods	10	–
	12	1
Total taxation charge in the Consolidated Income Statement	(92)	(44)

In order to understand how, in the Consolidated Income Statement, a tax charge of £92 million (2020: £44 million) arises on a profit before tax of £480 million (2020: £325 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2021 £m	2020 £m
Profit before tax	480	325
Notional taxation charge at UK corporation tax rate of 19% (2020: 19%) on profit before tax	(91)	(62)
Non-taxable income/non-deductible expenses	(9)	(1)
Overseas non-deductible exceptional expenses	(26)	–
Prior year adjustments	3	7
Other taxes	(7)	(4)
Current year losses not recognised	(1)	(3)
Impact of overseas tax rates	10	3
Impact of changes in tax rates	(4)	(2)
Movement on tax provisions	(5)	3
Production tax credits	38	15
Total taxation charge in the Consolidated Income Statement	(92)	(44)

Non-deductible expenses are expenses that are not expected to be allowable for tax purposes. Similarly, non-taxable income is income that is not expected to be taxable.

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 current tax charge includes a £7 million charge relating to prior years, and the deferred tax credit includes an £10 million credit relating to prior years. This adjustment has arisen following changes in estimates of taxes that have already become due, or will become due in the future.

In 2021 we introduced a policy of paying for losses available for Group tax relief across UK entities and in addition to this a historical payment for consortium relief received from Freesat (UK) Limited was made during the year, resulting in a payment of £6 million (2020: nil), this is included in the prior year adjustments.

Other taxes of £7 million charge (2020: £4 million charge) includes state taxes of £3 million in the US, local taxes of £3 million in Germany, Italy and France plus £1 million of irrecoverable withholding tax in the UK.

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 from the UK corporation tax rate. In 2021, the total impact is £10 million credit (2020: £3 million credit) due to losses arising in higher taxed jurisdictions, which were recognised through deferred tax, giving rise to a reconciling benefit.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced on 3 March 2021, the rate change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly and the impact on deferred tax is forecast to be a £4 million charge through the Consolidated Income Statement with an associated credit through other comprehensive income or equity.

In line with our accounting policy on current tax, provisions are held on the balance sheet within current tax liabilities in respect of uncertain tax positions where management believes that it is probable that future payments of tax will be required.

The production tax credits included within the reconciliation above are UK High-End Television (HETV) tax credits and Children's Television tax credits, which are part of a group of incentives provided to support the creative industries in the UK. The ability to access these tax credits is fundamental when assessing the viability of investment decisions in the production of high-end drama and children's programmes. Under IFRS, these production tax credits are reported within the total taxation charge in the Consolidated Income Statement. However, ITV considers them to be a contribution to production costs, and therefore working capital in nature, and excludes them from its adjusted tax charge, including them instead within Adjusted EBITA.

The effective tax rate is 19.2% (2020: 13.5%), and is the tax charge on the face of the Consolidated Income Statement expressed as a percentage of the profit before tax. The tax rate is higher than in 2020 primarily due to the exceptional earnout payment in relation to the Talpa BV acquisition, which is not deductible for tax purposes. As explained in the Finance 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. The adjusted tax rate is 19.9% (2020: 18.0%).

In 2021, the current year movement recognised in the Consolidated Income Statement on origination and reversal of temporary differences (excluding exceptional items) is a credit of £1 million, compared with a credit of £3 million in 2020.

Taxation – Other comprehensive income (OCI) and equity

As analysed in the table below a deferred tax charge of £2 million (2020: £8 million credit) has been recognised on actuarial movements on pensions. Included in other temporary differences, a deferred tax charge of £1 million (2020: £nil) on gilts, a deferred tax charge of £4 million (2020: £5 million) on derivatives and a £2 million deferred tax credit on the cost of hedging (2020: £nil) has been recognised in other comprehensive income. A deferred tax credit of £2 million (2020: £3 million) has been recognised in equity in respect of share-based payments.

A current tax charge of £3 million on foreign exchange movements net of hedging has been recognised in other comprehensive income (2020: £2 million credit) plus a current tax credit of £11 million on pensions has been recognised in other comprehensive income (2020: £nil). There is no current tax recognised in equity in relation to share-based payments (2020: £nil).

Taxation – Consolidated Statement of Financial Position

The table below outlines the deferred tax assets/(liabilities) that are recognised in the Consolidated Statement of Financial Position, together with their movements in the year:

	At 1 January 2021 £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Foreign exchange £m	At 31 December 2021 £m
Tangible assets	8	(3)	–	(1)	4
Intangible assets	(41)	(5)	–	1	(45)
Pension scheme	(5)	1	(2)	–	(6)
Tax losses	35	(3)	–	–	32
Share-based compensation	8	1	2	–	11
Other temporary differences	9	23	(3)	–	29
	14	14	(3)	–	25

	At 1 January 2020 £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Foreign exchange £m	At 31 December 2020 £m
Tangible assets	7	1	–	–	8
Intangible assets	(50)	10	–	(1)	(41)
Programme rights	1	(1)	–	–	–
Pension scheme	8	(5)	(8)	–	(5)
Tax losses	37	–	–	(2)	35
Share-based compensation	6	(1)	3	–	8
Other temporary differences	9	(3)	5	(2)	9
	18	1	–	(5)	14

At 31 December 2021, the net deferred tax asset position is £25 million (2020: £14 million), consisting of total deferred tax assets of £134 million (2020: £110 million) and total deferred tax liabilities of £109 million (2020: £95 million). The Consolidated Statement of Financial Position presents deferred tax after netting off balances within countries – a deferred tax asset of £37 million and a deferred tax liability of £12 million (2020: deferred tax asset of £34 million and a deferred tax liability of £20 million).

The deferred tax balances relate to:

- Property, plant and equipment temporary differences arising on assets qualifying for tax depreciation
- Temporary differences on intangible assets, including those 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 SDN and LTVC pension funding partnerships
- Temporary differences arising from the timing of the use of tax losses
- Share-based compensation temporary differences on share schemes
- Other temporary differences on provisions and financial instruments

The deferred tax balance associated with the pension deficit reflects the current tax benefit obtained in 2021 following the employer contributions to the Group's defined benefit pension scheme. The adjustment in other comprehensive income to both the current tax and deferred tax balances relates to the actuarial gain recognised in the year and a prior year adjustment.

A deferred tax asset of £32 million has been recognised for tax losses where a full recovery is expected based on forecasted taxable profits. A deferred tax asset of £559 million (2020: £425 million) in respect of capital losses of £2,237 million (2020: £2,237 million) has not been recognised due to uncertainties as to whether capital gains will arise in the appropriate form and relevant territories against which such losses could be utilised. The increase in the deferred tax asset in respect of the capital losses compared to the prior year is due to the future corporate tax rate change in the UK. For the same reasons, total deferred tax assets of £15 million (2020: £17 million) in respect of overseas losses of £67 million (2020: £73 million) have not been recognised (including £2 million in respect of losses that expire between 2022 and 2027).

Subsidiaries of ITV PLC Group have undistributed earnings of £16 million (2020: nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as ITV PLC Group is able to control the timing of the distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

In October 2021, the Organisation for Economic Co-operation and Development (OECD) agreed a two-pillar solution to address the tax challenges arising from the digitalisation of the economy. We are working through the implications of this and the financial impact it might have on ITV.

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 £378 million (2020: £285 million) divided by 4,005 million (2020: 4,002 million), being the weighted average number of shares in issue during the year, which excludes EBT shares held in trust (see note 4.8).

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 are 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 is 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:

Basic earnings per share

	2021 £m	2020 £m
Profit for the year attributable to equity shareholders of ITV plc	378	285
Weighted average number of ordinary shares in issue – million	4,005	4,002
Basic earnings per ordinary share	9.4p	7.1p

Diluted earnings per share

	2021 £m	2020 £m
Profit for the year attributable to equity shareholders of ITV plc	378	285
Weighted average number of ordinary shares in issue – million	4,005	4,002
Dilution due to share options	46	23
Total weighted average number of ordinary shares in issue – million	4,051	4,025
Diluted earnings per ordinary share	9.3p	7.1p

Adjusted earnings per share

	Ref.	2021 £m	2020 £m
Profit for the year attributable to equity shareholders of ITV plc		378	285
Exceptional items (net of tax)	A	180	96
Profit for the year before exceptional items		558	381
Amortisation and impairment of acquired intangible assets	B	37	52
Gain on sale of non-current assets	C	–	(3)
Loss on sale of subsidiaries and investments	C	1	–
Adjustments to net financing costs	D	15	6
Adjusted profit		611	436
Total weighted average number of ordinary shares in issue – million		4,005	4,002
Adjusted earnings per ordinary share		15.3p	10.9p

Diluted adjusted earnings per share

	2021 £m	2020 £m
Adjusted profit	611	436
Weighted average number of ordinary shares in issue – million	4,005	4,002
Dilution due to share options	46	23
Total weighted average number of ordinary shares in issue – million	4,051	4,025
Diluted adjusted earnings per ordinary share	15.1p	10.8p

Details of the adjustments to earnings are as follows:

A. Exceptional items (net of tax) £180 million (2020: £96 million)

Exceptional items of £196 million (2020: £118 million), net of related tax credit of £16 million (2020: £22 million). See note 2.2 for the detailed composition of exceptional items.

B. Amortisation and impairment of acquired intangible assets of £37 million (2020: £52 million)

Amortisation and impairment of assets acquired through business combinations and investments of £69 million (2020: £87 million), excluding amortisation of software licences and development of £20 million (2020: £19 million), net of related tax credit of £12 million (2020: £16 million)

C. Loss/(gain) on sale of non-current assets and investments of £1 million loss (2020: gain of £3 million)

Loss on sale of investments of £1 million (2020: gain of £4 million), net of related tax credit of £nil (2020: related tax charge of £1 million). 2020 gain was shown within exceptional items (A. above)

D. Adjustments to net financing costs £15 million (2020: £6 million)

Adjustments to net financing costs includes exceptional finance costs of £10 million (2020: £nil) relating principally to interest accrued on exceptional acquisition-related expenses; foreign exchange, pension interest charges and the unwind of discounting on acquisition related liabilities of £9 million (2020: £8 million), net of related tax credit of £4 million (2020: £2 million)

Notes to the Financial Information

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, trade and other receivables, trade and other payables and contract assets and liabilities.

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 ratio, a key performance indicator for the Group. 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 controlled by ITV are reflected in this metric.

In the following note, you will find further information regarding working capital management and analysis of the elements of working capital.

3.1.1 Programme rights and commitments

Accounting policies

Rights are recognised when the Group controls the respective rights and the risks and rewards associated with them.

Programme rights not yet utilised are included in the Consolidated Statement of Financial Position at the lower of cost and net realisable value. In assessing net realisable value for programmes in production, judgement is required when considering the contracted sales price and estimated costs to complete.

Programme rights

Acquired programme rights (which include films) and sports rights are purchased for the primary purpose of broadcasting on the ITV family of channels, including AVOD and SVOD platforms. These are recognised within current assets the earlier of when payments are made or when the rights are ready for exploitation. 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 on any platform, incremental costs associated with the broadcast are included in operating costs.

The net realisable value assessment for acquired and commissioned rights (excluding sports rights) 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. The net realisable value is assessed on a portfolio basis unless specific indicators of impairment are identified.

The net realisable value assessment for sports rights is based on the estimated airtime value on the transmission date of the sporting event.

As a result of the impact of COVID-19 on the sporting schedule for 2020 and 2021 and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events, the Group recognised an impairment for certain sporting events included in programme rights as well as onerous contract provisions for future commitments. Further details are provided in note 3.5.

The programme rights and other inventory at the year end are shown in the table below:

	2021 £m	2020 £m
Acquired programme rights	177	169
Commissions	78	69
Sports rights	58	70
	313	308

£13 million relates to stock that will be transmitted in 2023 and beyond (2020: £19 million transmitted in 2022 and beyond)

Programme and transmission commitments

Transmission commitments are the contracted future payments under transmission supply agreements that require the use of transponder capacity for a period of up to ten years with payments increasing over time, limited by specific RPI caps.

Programming commitments are transactions 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 (including ITV Hub and ITV Hub+) and on BritBox UK.

In 2021, the Group has onerous contract provisions of £32 million (2020: £37 million) in respect of transponder capacity usage and sports rights commitments. See note 3.5 for further details.

Commitments in respect of these transactions, which are not reflected in the Consolidated Statement of Financial Position, are due for payment as follows:

	Transmission £m	Programme £m	Total £m
2021			
Within one year	25	552	577
Later than one year and not more than five years	43	488	531
	68	1,040	1,108
2020			
Within one year	35	479	514
Later than one year and not more than five years	95	465	560
	130	944	1,074

3.1.2 Distribution rights

Accounting policies

Distribution rights are programme rights the Group buys from producers to derive future revenue, principally through licensing to other 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 Consolidated Income Statement over a period not exceeding five years, reflecting the value and pattern in which the right is consumed. 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 is as follows:

	2021 £m	2020 £m
Distribution rights	21	18

During the year, £46 million was charged to the Consolidated Income Statement (2020: £19 million).

3.1.3 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 information at their net present value to reflect the economic cost of delayed payment. The Group provides goods and services to substantially all of its customers on credit terms.

The credit risk management practices of the Group include internal review and reporting of the ageing of trade and other receivables by days past due. The Group applies the IFRS 9 simplified approach in measuring expected credit losses, which use a lifetime expected credit loss allowance for all trade receivables.

To measure expected credit losses, trade receivables have been grouped by shared credit risk characteristics and days past due. In addition to the expected credit losses, the Group may make additional provisions for the receivables of particular customers if the deterioration of financial position was observed.

The carrying value of trade receivables is considered to approximate fair value. Trade and other receivables can be analysed as follows:

	2021 £m	2020 £m
Due within one year:		
Trade receivables	434	360
Other receivables	107	49
Prepayments	48	49
	589	458
Due after more than one year:		
Trade receivables	33	33
Other receivables	9	13
	42	46
Total trade and other receivables	631	504

£467 million (2020: £393 million) of total trade receivables, stated net of provisions for impairment, are aged as follows.

	2021 £m	2020 £m
Current	427	357
Up to 30 days overdue	26	16
Between 30 and 90 days overdue	10	19
Over 90 days overdue	4	1
	467	393

Movements in the Group's provision for impairment of trade receivables and contract assets can be shown as follows:

	2021 £m	2020 £m
At 1 January	46	38
Charged during the year	6	12
Unused amounts reversed	(9)	(4)
At 31 December	43	46

Of the provision total, £41 million relates to balances overdue by more than 90 days (2020: £45 million) and less than £2 million relates to current balances (2020: less than £1 million).

£25 million of the provision relates to the overdue receivable for The Voice of China. The provision for this insured receivable, net of insurance excess, was recognised as an exceptional expense in 2017.

3.1.4 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:

	2021 £m	2020* £m
Trade payables	91	54
VAT and social security	60	132
Other payables	122	147
Acquisition-related liabilities – employment-linked contingent consideration	3	157
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	22	6
Accruals	551	463
	849	959

* A balance of £90 million, relating primarily to programme creditors, royalty payaways and bonus and social security accruals, originally included in other payables has been represented as accruals.

3.1.5 Trade and other payables due after more than one year

Trade and other payables due after more than one year can be analysed as follows:

	2021 £m	2020 £m
Trade payables	18	54
Other payables	28	15
Acquisition-related liabilities – employment-linked contingent consideration	6	7
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	33	39
	67	61
Total trade and other payables due after more than one year	85	115

Trade payables due after more than one year relate to royalties (2020: royalties of £19 million and film creditors of £35 million).

Acquisition-related liabilities or performance-based employment-linked earnouts are the estimated amounts payable to previous owners.

The estimated future payments that are accrued over the period the sellers are required to remain with the business are treated as exceptional costs (see note 2.2). Those amounts not linked to employment are estimated and recognised at acquisition at their time discounted value, with the unwind of the discount recorded as part of finance costs.

Acquisition related liabilities at 31 December 2021 were £64 million (2020: £209 million) which represents the amount accrued to date at their time discounted value. The total undiscounted estimated future payments of £79 million (2020: £227 million) are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the undiscounted liability is between £66 million and £143 million. The liabilities due after more than one year are expected to be settled between 2023 and 2026.

During the year, the final earnout on the Talpa acquisition was determined by an independent arbiter resulting in a payment of €298 million (£256 million) and interest of €11 million (£10 million).

All earnouts are sensitive to forecast profits as they are based on a multiple of earnings and judgement is required where there may be adjustments to forecasted profits or when earnouts are negotiated, hence the reason for the range noted above.

3.1.6 Contract assets and liabilities

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date. Many of the programmes the Studios division produces are sold internationally and also used within the ITV network. Production work in progress is treated as a contract asset until the point the programme is completed.

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service. The following table provides movements in contract assets and liabilities in the period:

	2021		2020	
	Contract assets £m	Contract liabilities £m	Contract assets £m	Contract liabilities £m
Balance at 1 January	416	(271)	445	(219)
Decrease due to balance transferred to trade receivables	(404)	–	(409)	–
Increases as a result of the changes in the measure of progress	537	–	380	–
Decreases due to revenue recognised in the period	–	260	–	208
Increase due to cash received	–	(348)	–	(260)
Balance at 31 December	549	(359)	416	(271)

Non-current contract assets of £6 million (2020: £7 million) is included in the above reconciliation. Contract assets include production work in progress of £360 million (2020: £261 million).

3.1.7 Working capital management

Cash and working capital management has been a critical area of focus during 2020 and 2021. During the year, the cash outflow from working capital was £141 million (2020: inflow of £137 million) derived as follows:

	2021 £m	2020 £m
(Increase)/decrease in programme rights and distribution rights	(6)	16
(Increase)/decrease in receivables and contract assets	(270)	2
Increase/(decrease) in payables and contract liabilities	135	119
Working capital (outflow)/inflow	(141)	137

3.2 Property, plant and equipment

Keeping it simple

The following note 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 or for right of use assets, the discounted future lease payments. A depreciation expense is charged to the Consolidated 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 the business to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value, an additional impairment charge is made against profit.

This note 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.

Right of use assets

A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. These assets are called right of use assets and have been included on the Group's balance sheet at a value equal to the discounted future lease payments. For leases recognised on transition to IFRS 16 'Leases' the value is also adjusted by any prepayments or lease incentives recognised immediately before the date of initial application.

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
Right of use assets	over the term of the lease

* Equipment includes studio production and technology assets.

Assets under construction are not depreciated until the point at which the asset comes into use by the Group.

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.

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	Right of use assets	Total
	£m	Long £m	Short £m	Owned £m	£m	£m
Cost						
At 1 January 2020	12	70	27	240	112	461
Additions	1	15	1	20	40	77
Foreign exchange	–	(1)	–	–	(1)	(2)
Disposals and retirements	(1)	(4)	–	(38)	(4)	(47)
At 31 December 2020	12	80	28	222	147	489
Additions	1	8	–	12	13	34
Reclassifications	–	–	(2)	5	–	3
Foreign exchange	–	–	–	(1)	(1)	(2)
Disposals and retirements	(1)	(1)	–	(3)	(5)	(10)
At 31 December 2021	12	87	26	235	154	514
Depreciation						
At 1 January 2020	1	23	16	127	25	192
Charge for the year	1	3	–	26	27	57
Foreign exchange	–	–	–	–	(1)	(1)
Disposals and retirements	–	(4)	–	(36)	(4)	(44)
At 31 December 2020	2	22	16	117	47	204
Charge for the year	–	4	1	37	25	67
Reclassifications	(2)	–	2	–	–	–
Foreign exchange	–	–	–	–	(1)	(1)
Disposals and retirements	–	(1)	–	(2)	(7)	(10)
At 31 December 2021	–	25	19	152	64	260
Net book value						
At 31 December 2021	12	62	7	83	90	254
At 31 December 2020	10	58	12	105	100	285

Included within property, plant and equipment are assets in the course of construction of £17 million (2020: £17 million).

Included within the depreciation charge for the year of £67 million (2020: £57 million) is £8 million (2020: £nil) in respect of accelerated depreciation following a change in useful life of the related assets in relation to the move to a new London site. This depreciation has been included in exceptional items. See notes 2.2 and 3.3 for further details.

Included in net book value of right of use assets is £89 million (2020: £99 million) related to properties and £1 million (2020: £1 million) relating to vehicles, equipment and fittings.

Capital commitments

Following the decision to move to Broadcast Centre in early 2022, the Group signed new lease agreements for the next 13 years. The right of use assets, which will be recognised in 2022, will be approximately £45 million. The Group has additional capital commitments of £6 million at 31 December 2021 (2020: £1 million).

3.3 Intangible assets

Keeping it simple

The following note identifies 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 the '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 Consolidated 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 impairment charge is made against profit.

This note 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. Goodwill is stated at its recoverable amount being cost less any accumulated impairment losses and is allocated to the business to which it relates.

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. The identification of acquired assets and liabilities and the allocation of the purchase price to them is considered a key judgement and is based on the Group's understanding and experience of the media business. Any contingent consideration expected to be transferred in the future is 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 Consolidated Income Statement. The determination of fair value is based on an estimate of 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.

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. The Directors consider these costs to reflect the cost of acquisition and to form a part of the capital transaction, and highlight them separately as exceptional items.

Other intangible assets

Intangible assets other than goodwill are those that are distinct and can be sold separately or which arise from legal rights.

The main intangible assets the Group has valued are formats, brands, licences, contractual arrangements, customer contracts and relationships and libraries.

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.

Each class of intangible assets' valuation method on initial recognition, amortisation method and estimated useful life is set out in the table below:

Class of intangible asset	Amortisation method	Estimated useful life	Valuation method
Brands	Straight-line	8 to 14 years	Applying a royalty rate to the expected future revenue over the life of the brand.
Formats	Straight-line	up to 8 years	Expected future cash flows from those assets 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.
Customer contracts	Straight-line or reducing balance as appropriate	up to 6 years	
Customer relationships	Straight-line	5 to 10 years	
Contractual arrangements	Straight-line	up to 10 years depending on the contract terms	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.
Licences	Straight-line	11 to 29 years depending on term of licence	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. Public service broadcasting (PSB) licences are valued as a start-up business with only the licence in place.
Libraries and other	Sum of digits or straight-line as appropriate	up to 20 years	Initially at cost and subsequently at cost less accumulated amortisation.
Software licences and development	Straight-line	1 to 10 years	Initially at cost and subsequently at cost less accumulated amortisation.

Cloud computing arrangements

Cloud computing arrangements are reviewed to determine if they are within the scope of IAS 38 Intangible Assets, IFRS 16 Leases, or a service contract. This is to determine if the Group has control of the software intangible asset. Control is assumed if the Group has the right to take possession of the software and run it on its own or a third party's computer infrastructure or if the Group has exclusive rights to use the software whereby the supplier cannot make the software available to other customers.

Configuration of the software involves the setting of various flags or switches within the application software or defining values to set up the software's existing code to function in a specified way. Customisation involves modifying the software code in the application or writing additional code. Customisation generally changes or creates additional functionalities within the software. In both situations, the Group also needs to assess if there is a separate intangible asset. If no separate intangible asset is identified, then these costs are expensed when incurred. If an asset is identified, it is capitalised and amortised over the life of the asset.

This represents a change in accounting policy as the Group previously capitalised all costs relating to the implementation of cloud computing arrangements. No material adjustments were required to the Group's intangible assets following the change in accounting policy, however, the implementation cost of a new cloud-based ERP solution which commenced in 2021 is being expensed (see note 2.2).

Fair value on acquisition

Determining the fair value of the purchase consideration allocated to 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 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 Consolidated 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 Consolidated 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 Consolidated Income Statement.

An impairment test is performed by assessing the recoverable amount of each asset, or for goodwill the cash-generating unit ('CGU'), or group of CGUs, related to the goodwill. Total assets (which include goodwill) are grouped at the lowest levels for which there are separately identifiable cash flows. The identification of the relevant CGUs for assessing impairment of goodwill is considered a key judgement. The Directors have identified 3 CGUs, Media & Entertainment (formerly Broadcast), ITV Studios and SDN.

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.

In testing for impairment, estimates are used in deriving cash flows and the discount rates. 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 information.

Impairment losses in respect of goodwill cannot be 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.

There is a wide range of potential outcomes regarding the possible future performance of each of ITV Group's cash-generating units, Media & Entertainment, ITV Studios and SDN. In the impairment review the Directors used the scenarios utilised for the viability statement. The Directors, however, do not consider that any reasonably possible changes in the key assumptions would cause the recoverable amount of the Group's cash-generating units to fall below their carrying values and therefore they are not considered key sources of estimation uncertainty.

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 £m	Total £m
Cost								
At 1 January 2020	3,897	530	441	11	176	103	207	5,365
Additions	–	–	–	–	–	1	21	22
Foreign exchange	(2)	17	–	–	–	(1)	–	14
At 31 December 2020	3,895	547	441	11	176	103	228	5,401
Additions	–	–	–	–	–	–	15	15
Acquisitions	1	–	1	–	–	–	–	2
Reclassifications	–	–	–	–	–	–	(3)	(3)
Foreign exchange	(3)	(20)	(1)	–	–	1	–	(23)
At 31 December 2021	3,893	527	441	11	176	104	240	5,392
Amortisation and impairment								
At 1 January 2020	2,654	382	422	11	118	91	95	3,773
Charge for the year	–	42	6	–	6	1	20	75
Foreign exchange	–	11	(1)	–	–	(1)	(1)	8
At 31 December 2020	2,654	435	427	11	124	91	114	3,856
Charge for the year	–	41	5	–	5	1	20	72
Reclassifications	–	–	–	–	–	–	–	–
Foreign exchange	–	(16)	1	–	–	1	–	(14)
At 31 December 2021	2,654	460	433	11	129	93	134	3,914
Net book value								
At 31 December 2021	1,239	67	8	–	47	11	106	1,478
At 31 December 2020	1,241	112	14	–	52	12	114	1,545

Goodwill impairment tests

The carrying amount of goodwill for each CGU is represented as follows:

	2021 £m	2020 £m
ITV Studios	777	779
Media & Entertainment	386	386
SDN	76	76
	1,239	1,241

There has been no impairment charge for any CGU during the year (2020: £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 long-term plan. Beyond the plan, these projections are extrapolated using an estimated nominal long-term growth rate of 2% (2020: 1%). The growth rate used is consistent with the long-term average growth rates for both the industry and the countries in which the CGUs are located and is appropriate because these are long-term businesses.

The discount rate has been updated 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.

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 the goodwill arising from acquisitions since 2012, with the largest acquisitions being Leftfield in 2014, followed by Talpa in 2015.

The key assumptions on which the forecast cash flows for the whole CGU were based (as represented by the approved financial budget for 2022 and forecast to 2024) include revenue (including international revenue and the ITV Studios share of ITV output, growth in commissions and hours produced), margins 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.

A pre-tax discount rate of 8.4% (2020: 7.7%) has been used in discounting the projected cash flows.

Following the organisational redesign by ITV Studios, with effect from 1 January 2020, the Directors considered how assets and resources are shared across the ITV Studios division and the level of integration within the management structure for the purposes of reporting and strategic decision-making. They concluded that a single ITV Studios CGU continues to remain appropriate.

Media & Entertainment (formerly Broadcast)

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. Media & Entertainment goodwill also includes the goodwill arising on acquisition of UTV Limited in February 2016.

In October 2020, the Group announced a restructure of its Broadcast segment to better reflect and serve the changing viewing habits. As part of the restructure, which came into effect from 1 April 2021, Broadcast has been renamed Media & Entertainment ('M&E') with two business streams. The restructure did not have any impact on the composition of the CGUs.

The main assumptions on which the forecast cash flow projections for this CGU are based (as represented by the approved financial budget for 2022 and forecast to 2024) include: the performance and 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 Media & Entertainment 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.

An impairment charge of £2,309 million was recognised in the Media & Entertainment CGU in 2008, as a result of the downturn in the short-term outlook for the advertising market. The current year impairment review, set out above, results in significant headroom in excess of the 2008 impairment amount. Even though the advertising market has improved since then and the impaired assets are still owned and operated by the Group, due to accounting rules the impairment cannot be reversed.

A pre-tax discount rate of 8.4% (2020: 7.8%) 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.

SDN's current multiplex licence expires towards the end of 2022. The government consulted on the future of the SDN licence (as well as most of those held by Arqiva, the BBC and Channel 4) in 2020 and published its decision in September 2021. The government highlighted that it will give Ofcom the power to carry out the renewal of the SDN licence until 2034. Following this decision, we await the renewal from Ofcom, which we expect during 2022.

The main assumptions on which the forecast cash flows are based (as represented by the approved financial budget for 2022 and forecast to 2024) are: renewal of the licence to 2034; income to be earned from renewals of medium-term contracts; the market price of available multiplex video streams; 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.

A pre-tax discount rate of 11.7% (2020: 11.4%) has been used in discounting the projected cash flows.

3.4 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 equity investments.

A joint arrangement 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 equity 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 Consolidated Income Statement within non-operating items and included in adjusted profit.

Where the Group has invested in associates by acquiring preference shares or convertible debt instruments, the share of profit recognised is usually £nil as no equity interest exists.

Equity investments are held at fair value unless the investment is a start-up business, in which case it is valued initially at cost as a proxy for fair value.

The carrying amount of each category of our investments is represented as follows:

	Joint ventures £m	Associates £m	Equity investments £m	Total £m
At 1 January 2020	1	43	8	52
Additions	10	18	1	29
Share of profits/(losses)	14	(4)	–	10
Disposals	–	(1)	–	(1)
Impairments/fair value adjustments	–	(1)	(8)	(9)
Foreign exchange	(1)	(3)	–	(4)
At 31 December 2020	24	52	1	77
Additions	4	8	3	15
Share of profits/(losses)	14	(2)	–	12
Impairments/fair value adjustments	–	(7)	–	(7)
Foreign exchange	1	–	–	1
At 31 December 2021	43	51	4	98

Significant investments in joint ventures include £34 million (2020: £19 million) invested in BritBox LLC in the US. The Group's associates include £31 million (2020: £30 million) relating to a 45% investment in Blumhouse TV Holdings LLC, a film and television production company in the US. The equity investments relate primarily to Group's Media for Equity programme.

3.5 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 Consolidated 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 Consolidated Income Statement. The value of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows, which are dependent on future events.

Provisions

The movements in provisions during the year are as follows:

	Contract provisions £m	Property provisions £m	Legal and Other provisions £m	Total £m
At 1 January 2021	37	3	41	81
Additions	17	3	70	90
Utilised	(21)	—	(2)	(23)
Released	—	—	(2)	(2)
Foreign exchange	(1)	—	—	(1)
At 31 December 2021	32	6	107	145

Provisions of £120 million are classified as current liabilities (2020: £59 million). Unwind of the discount is £nil in 2021 and 2020.

Contract provisions £32 million (2020: £37 million)

Represent liabilities in respect of onerous contracts in relation to individual sports rights of £5 million (2020: £18 million) and transmission capacity supply contracts of £27 million (2020: £19 million).

Sports rights

As a result of the impact of COVID-19 and consequential changes to the sporting schedule, along with resulting changing forecasts of audience mix and revenues for certain sporting events, the Group recognised a provision for the sporting events directly impacted by these changes in 2020. The provision is sensitive to the changes in the sporting schedule and consequential impact on TAR.

In calculating the provision, management has made estimates and used assumptions in determining the nature, amount and timing of potential outflows, including the commercial impacts of the target audience that will be generated by those rights, scheduling of the events and revenue forecasts. A provision is recognised for rights where the estimated revenues are less than the obligation held.

The provision held at 31 December 2021 is £5 million (2020: £18 million). The provision was increased by £1 million in the year (2020: £37 million). £14 million (2020: £11 million) has been utilised during the year and £nil (2020: £8 million) was released. The remaining provision is expected to be utilised in 2022.

Transponders

During 2020, we commenced a review of the efficiency of our transponder capacity usage with a view to reducing our capacity requirements. This has allowed us to reorganise our channels over fewer transponders with the result that we have cleared all channels from two transponders. We are no longer utilising them and therefore not generating revenues. Management has applied judgement in its assessment that the individual element of the contract is separable from the remaining elements of the contract, which are not considered onerous. The contracted future commitment to October 2024 has therefore been recognised as a provision as there are no future economic benefits expected.

In 2020, we provided £19 million as an onerous contract for the first transponder from the date it was cleared and in 2021, £16 million for the second transponder capacity.

The total provision for onerous contracts at 31 December 2021 is £27 million (2020: £19 million), £7 million of the provision was utilised during the year (2020: £2 million).

Property £6 million (2020: £3 million)

These provisions primarily relate to expected dilapidation costs at rental properties and include additions in the year for the move of our London site.

Legal and Other provisions £107 million (2020: £41 million)

Represents provisions for potential liabilities and the related legal costs. These include £52 million (31 December 2020: £31 million) for the potential liability that may arise as a result of the Box Clever Financial Support Directions ('FSDs') being issued by the Pensions Regulator ('tPR'), employee-related tax and other provisions of £39 million (2020: £nil), a provision related to The Voice of Holland (£9 million) (2020: £nil) and other legal and related costs.

Box Clever Pension Scheme

The Box Clever Pension Scheme ('the Scheme') was managed from its establishment by an independent Trustee and the Group has not had any commercial connection with the Box Clever business since it went into administrative receivership in 2003. After court proceedings in the Upper Tribunal and Court of Appeal were dismissed, certain companies within ITV were issued with FSDs by tPR on 17 March 2020. An FSD does not set out what form any financial support should take, nor its amount, and those issues have not yet been resolved as part of the legal process.

The legislation provides that any contribution that ITV may make must be considered reasonable and have regard to the Group's financial circumstances. If an agreement is reached with tPR there may not be an immediate cash flow impact. If an agreement cannot be reached, then settlement may be protracted and subject to further legal proceedings over several years.

At 2003, the Scheme was estimated to have had a deficit on a buyout basis of £25 million. The most recent estimate of the deficit in the Box Clever Group Pension Scheme is £110 million as at 30 April 2020 and remains management's best estimate of the deficit. This estimate was calculated on a buyout basis, using membership data and benefits currently being provided in that Scheme, and based on membership data as of February 2020. Both of these valuations were of the whole Scheme, encompassing liabilities in respect of former employees of Granada's joint venture partner, Thorn, as well as former employees of the Group. Given the significant number of undecided issues as to the quantum and form of financial support, the Group will strongly contest any attempt to impose liability in an amount the Directors consider unreasonable.

The Directors continue to believe there are many important factors, that need to be taken into account in any decision, and therefore there remains a great deal of uncertainty around the quantum and form of financial support to be provided. The Company and tPR are in discussions to try to resolve the matter on a consensual basis. The provision has been increased by £21 million to £52 million and represents the IAS 19 valuation using market conditions as at 31 October 2021 of management's best estimate of the provision required. If this is not accepted, tPR may issue a warning notice.

Employee-related

The determination of the employment tax status of some individuals contracted by the Group is complex. In March 2021, HMRC issued an initial assessment on several individuals engaged by the Group during the tax year 2016/17 as employed for tax purposes. In June 2021, HMRC updated guidance on factors determining the employment tax status of TV and Radio presenters. Following this assessment and HMRC's updated guidance, the Group has undertaken a review of the tax status of individuals and used best endeavours to estimate that circa £36 million may be assessed as payable for periods up to 31 December 2021. Landmark court cases are being heard by the Court of Appeal in early 2022. Whilst the Group is not involved in these cases, judgements handed down will impact on how employment tax status is determined for TV and Radio presenters generally and will therefore have a bearing on how much tax might be payable by the Group. As a consequence of this, the final amount payable could be significantly different to the £36 million currently provided. A further £3 million was provided for in the current year, in relation to other employment related matters.

The Voice of Holland

In early 2022 allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. An external investigation of the allegations is currently ongoing. While unquantifiable at present, there may be further financial impact on the Group.

Other

Other provisions relate to historical environmental provisions in relation to our production sites, closure costs and provision for legal fees for other ongoing litigation.

3.6 Pensions

Keeping it simple

In this note, we explain the accounting policies governing the Group's pension schemes, followed by analysis of the components of the net defined benefit pension deficit, including assumptions made, and where the related movements have been recognised in the financial information. 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 and closed to future accrual in 2017. In 2016, on acquisition of UTV Limited, the Group took over the UTV Defined Benefit Scheme, which closed to future accrual at the end of March 2019.

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 participating 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. Although the Trustee of the scheme makes available a range of investment options, 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 payments during retirement, the value of which is dependent on factors such as salary and length of service. The Group makes contributions to the scheme, a separate Trustee-administered fund that is not consolidated in this financial information, but is reflected on the defined benefit pension deficit line in the Consolidated Statement of Financial Position.

The Trustee, appointed according to the terms of the Schemes' documentation, is required to act in the best interest of the beneficiaries and is responsible for managing and investing the assets of the Scheme and its funding position.

Schemes can be funded, where regular cash contributions are made by the employer into a fund which is invested. In the event of poor investment returns or increases in liabilities, the Group may need to address this through increased levels of contribution. Alternatively, schemes can be unfunded, where no regular money or assets are required to be put aside to cover future payments but in some cases security is required.

The accounting defined benefit pension deficit (IAS 19) is different from the actuarial valuation deficit as they are calculated on the basis of different assumptions, such as discount rate. The accounting defined benefit pension deficit (IAS 19) figure is calculated as at the balance sheet date, and the actuarial deficit (which drives cash funding requirements) was calculated for the last triennial valuation as of 1 January 2017 for Section A of the ITV Pension Scheme, 1 January 2020 for Section C of the ITV Pension Scheme and 30 June 2020 for the UTV Pension Scheme. The 2020 Triennial valuations for each Section A of the ITV Pension Scheme is still underway. The valuation is expected to be agreed in early 2022.

Accounting policies

Defined contribution scheme

Obligations under the Group's defined contribution schemes are recognised as an operating cost in the Consolidated Income Statement as incurred. For 2021, total contributions expensed were £26 million (2020: £25 million).

Defined benefit scheme

The Group's obligation in respect of the Defined Benefit Scheme is calculated by estimating the amount of future retirement benefit that eligible employees ('beneficiaries') have earned during their services. That benefit payable in the future is discounted to today's value and then the fair value of scheme assets is deducted to measure the defined benefit pension position.

Unless otherwise stated, references to Defined Benefit Schemes ('the Schemes') within this note refer to the ITV Pension Scheme, the Unfunded Scheme and the UTV Pension Scheme combined. Details on each scheme are provided below.

The liabilities of the Schemes are measured by discounting the best estimate of future cash flows to be paid using the 'projected unit' method. 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 note. 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 Consolidated Statement of Comprehensive Income.

The accounting defined benefit pension surplus or deficit (IAS 19) is different from the actuarial valuation deficit as they are calculated on the basis of different assumptions, such as discount rate. The accounting defined benefit pension surplus or deficit (IAS 19) figure is calculated as at the balance sheet date, and the actuarial valuation deficit is calculated per the last triennial valuation.

In October 2021, the triennial valuation of Section C of the ITV Pension Scheme at 31 December 2019 was completed. The Scheme had assets of £569 million as at the valuation date and £559 million of liabilities resulting in an agreed Technical Provisions funding surplus of £10 million. At the previous valuation at 1 January 2017, there was a surplus of £19 million. The 2020 triennial valuation for Section A of the ITV Pension Scheme is still underway. The valuation is expected to be agreed in early 2022. This valuation will drive subsequent contribution rates.

The Group continues to make deficit funding contributions in line with the most recent actuarial valuation in order to eliminate the deficits in each Section. The IAS 19 deficit does not drive the deficit funding contribution.

An unfunded scheme in relation to former beneficiaries who accrued benefits in excess of the maximum allowed for tax purposes is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. For the four former Granada executives within the unfunded scheme, there is additional security in the form of a charge over £62 million of securitised gilts held by the Group, which are classified as other pension assets to reflect the Group's net pension deficit.

Due to the size of the UTV Pension Scheme, the Directors present the results and position of the UTV Pension Scheme within this note combined with the existing ITV Schemes. In November 2021, the triennial valuation of the UTV Pension Scheme at 30 June 2020 was completed. The Scheme had assets of £140 million as at the valuation date and £136 million of liabilities resulting in an agreed Technical Provisions funding surplus of £4 million. At the previous valuation at 30 June 2017, there was a shortfall of £7 million.

The principal employer of the ITV Pension Scheme and the Unfunded Scheme is ITV Services Limited, the Granada supplementary scheme is Granada Group Limited and the UTV Pension Scheme is UTV Limited.

The defined benefit pension deficit

Net pension deficit of £8 million at 31 December 2021 (2020: £26 million) is stated after including the unfunded scheme security asset of £62 million (2020: £62 million). The totals recognised in 2021 and 2020 are:

	2021 £m	2020 £m
Total defined benefit scheme obligations	(3,943)	(4,120)
Total defined benefit scheme assets	3,873	4,032
Defined benefit pension deficit (IAS 19)	(70)	(88)
Presented as:		
Defined benefit pension surplus*	26	22
Defined benefit pension deficit	(96)	(110)
Defined benefit pension deficit (IAS 19)	(70)	(88)
Other pension asset	62	62
Net pension deficit	(8)	(26)

* The defined benefit pension surplus relates solely to the UTV Scheme. The defined benefit scheme assets in the UTV Scheme were £142 million as at 31 December 2021 (2020: £142 million) and the defined benefit scheme obligations were £116 million (2020: £120 million).

The remaining notes provide further detail of the value of the Schemes' assets and liabilities, how these are accounted for and the impact on the financial information.

Defined benefit scheme obligations

Keeping it simple

What causes 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:

Past service cost – is a change in present value of the benefits built up by the beneficiaries in the prior periods; can be positive or negative resulting from changes to the existing plan as a result of an agreement between ITV and employees or legislative change (including legal rulings) or as a result of significant reduction by ITV in the number of employees covered by the plan (curtailment)

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 note. This interest cost is recognised through net financing costs in the Consolidated 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 or change in mortality. Key assumptions are explained in detail later in this note.

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:

	2021 £m	2020 £m
Defined benefit obligation at 1 January	4,120	4,037
Past service cost		
– GMP equalisation	–	1
– ITV A rectification	–	5
Interest cost	54	81
Actuarial (gain)/loss	(44)	183
Benefits paid	(187)	(187)
Defined benefit obligation at 31 December	3,943	4,120

Of the above total defined benefit obligation at 31 December 2021, £60 million relates to the unfunded schemes (2020: £60 million).

On 20 November 2020, a High Court ruling determined that pension schemes need to address inequalities between men and women in Guaranteed Minimum Pension (GMP) for those beneficiaries that transferred out of the Schemes between May 1990 and October 2018. An allowance of £1 million for GMP Equalisation was recognised as a past service cost in 2020.

During 2020, the Group completed the rectification of historical benefits for the members of the Network Section of Section A of the ITV Pension Scheme. The review, which involved detailed individual member calculations, amended the benefits of the Network Section members accrued between 1991 and 1997 in accordance with an agreement approved by the High Court in February 2019. As part of the review, changes to membership data were also identified. The change in benefits of £5 million was recognised as a past service cost in 2020 and the change in membership data of £7 million was included within the actuarial loss in Other Comprehensive Income.

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:

An estimate of increases in pension payments and the effect of inflation

The life expectancy of beneficiaries

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 (2020: 16 years).

The principal assumptions used in the Schemes' valuations at the year end were:

	2021	2020
Discount rate	1.80%	1.35%
Inflation assumption (RPI) – before 2030	3.40%	2.95%
Inflation assumption (RPI) – post 2030	3.40%	2.70%
	Deferred/ Pensioner	
Rate of increase in pension payment (LPI ¹ 5% pension increases)	2.90%/3.35%	2.75%
Rate of increase to deferred pensions (CPI)	2.90%	2.05%

1. Limited Price Index.

The Retail Prices Index ('RPI') reform consultation outcome was announced on 25 November 2020. The announcement means that from February 2030 onwards, increases in the RPI will be aligned with those under the Consumer Prices Index ('CPI'). For Defined Benefit schemes, it means that members with RPI-linked pension increases will see future retirement benefits increase more slowly from 2030 than they otherwise would. The Group updated its approach to setting RPI and CPI inflation assumptions as follows:

- The Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The overall inflation risk premium has been amended from 0.25% per annum pre-2030 and 0.5% per annum post-2030 at 31 December 2020 to 0.3% pre and post 2030 as at 31 December 2021. The estimated impact of the change in inflation risk premium in respect of Section A of the ITV Pension Scheme is an increase in the defined benefit obligation of approximately £15 million to £20 million. Section C of the ITV Pension Scheme, the Unfunded Scheme and the UTV Pension Scheme is not expected to have a material change in the defined benefit obligations.
- The assumptions linked to RPI and CPI as at 31 December 2021 have been determined by weighting the cash flows to which the link applies. Hence, given the current downward sloping inflation curve, this leads to higher deferred revaluation rates, higher pension increase rates for current pensioners, and lower pension increases for current deferred members than the equivalent rates using whole-scheme cash flows, as used for year end 31 December 2020.

The table below reflects published mortality investigation data in conjunction with the results of investigations into the mortality experience of Scheme beneficiaries. The assumed life expectations on retirement are:

	2021	2021	2020	2020
Retiring today at age	60	65	60	65
Males	26.3	21.7	26.3	21.7
Females	29.0	24.1	28.9	24.1
Retiring in 20 years at age	60	65	60	65
Males	27.6	22.8	27.6	22.8
Females	30.4	25.5	30.4	25.5

The net pension deficit is sensitive to changes in assumptions. These are disclosed further in this note.

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 2021, the Schemes' assets were invested in a diversified portfolio that consisted primarily of debt securities, infrastructure, property and insurance policies matching the pensions due to certain beneficiaries. 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.

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 beneficiaries 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 beneficiaries 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, in line with its fair value.

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 Consolidated Income Statement

Return on assets arise from differences between the actual return and interest income on Scheme assets and are recognised in the Consolidated Statement of Other Comprehensive Income

Employer's contributions are paid into the Scheme to be managed and invested and Benefits and administrative expenses paid out by the Schemes will lower the fair value of the Schemes' assets

The movement in the fair value of the defined benefit schemes' assets is analysed below:

	2021 £m	2020 £m
Fair value of Scheme assets at 1 January	4,032	3,892
Interest income on Scheme assets	54	78
Return on assets, excluding interest income	(102)	188
Employer contributions	82	67
Benefits paid	(187)	(187)
Administrative expenses paid	(6)	(6)
Fair value of Scheme assets at 31 December	3,873	4,032

How are the Schemes' assets invested?

At 31 December 2021, the Schemes' assets were invested in a diversified portfolio that consisted primarily of debt securities, infrastructure, property and insurance policies matching pensions due to certain beneficiaries. The Trustee is responsible for deciding the investment strategy for the Schemes' assets, although changes in investment policies require consultation with the Group. The assets are invested in different classes to hedge against unfavourable movements in the funding obligation. 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.

The fair value of the Schemes' assets is shown in the following table by major category:

	Market value 2021 £m	Quoted 2021 £m	Market value 2021 %	Market value 2020 £m	Quoted 2020 £m	Market value 2020 %
Liability hedging assets						
Fixed interest gilts	514	514		591	591	
Index-linked interest gilts	1,139	1,127		1,142	1,129	
Interest rate and inflation hedging derivatives (swaps and repos)	60	25		57	21	
	1,713	1,666	44%	1,790	1,741	44%
Other bonds	1,767	75	46%	1,815	73	45%
Return seeking investments						
Infrastructure	168			181		
Property	148			144		
Hedge funds/alternatives	1			2		
	317		8%	327		8%
Other investments						
Cash and cash equivalents	134			149		
Insurance policies	530			553		
Longevity swap fair value	(588)			(602)		
	76		2%	100		2%
Total Scheme assets	3,873	1,741	100%	4,032	1,814	100%

Included in the above are overseas assets of £257 million (2020: £275 million). None of these assets are quoted.

In November 2018, the Pension Trustee entered into a bulk annuity insurance contract in respect of the benefits of two Sections of the ITV Pension Scheme. This type of deal is also known as a 'Buy-in'. A buy-in is where the Trustee purchases an insurance policy which is effectively a Scheme asset which pays the members benefits. The ultimate obligation to pay the members benefits still remains with the scheme. The assets in respect of the buy-in are included in the insurance policies listed above.

The Trustee entered into a longevity swap in 2011, which hedges the risk of increasing life expectancy over the next 70 years for 11,700 current pensioners at inception covering £1.7 billion of the pension obligation. The fair value of the longevity swap is negative due to declining mortality assumptions and equals the discounted value of the projected net cash flows resulting from the contract. The fair value loss has reduced in 2021.

Defined pension deficit sensitivities

Keeping it simple

Which assumptions have the biggest impact on the Scheme?

It is important to note that comparatively small changes in the assumptions used may have a significant effect on the Consolidated Income Statement and Consolidated 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 defined benefit pension obligation. The Trustee manages the investment, mortality and inflation risks to ensure the pension obligations are met as they fall due.

The investment strategy is aimed at the Trustee's actuarial valuation deficit rather than IAS 19 defined pension deficit value. As such, the effectiveness of the risk hedging strategies on a valuation basis will not be the same as on an accounting basis. Those hedging strategies have significant impact on the movement in the net pension deficit as assumptions change, offsetting the impacts on the obligation disclosed below.

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.

Changes in assumptions have a different level of impact as the value of the net pension deficit fluctuates, because the relationship between them is not linear.

The analysis below considers the impact of a single change in principal assumptions on the defined benefit obligation while keeping the other assumptions unchanged and does not take into account any risk hedging strategies:

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase by 0.1%	Decrease by £60 million
	Decrease by 0.1%	Increase by £60 million
Rate of inflation (Retail Price Index)	Increase by 0.1%	Increase by £25 million
	Decrease by 0.1%	Decrease by £30 million
Rate of inflation (Consumer Price Index)	Increase by 0.1%	Increase by £10 million
	Decrease by 0.1%	Decrease by £10 million
Life expectancies	Increase by one year	Increase by £185 million

The sensitivity analysis has been determined by extrapolating the impact on the defined benefit obligation at the year end with changes in key assumptions that might reasonably occur.

While the Schemes' risk hedging strategy is aimed at a valuation basis, the Directors estimate that on an accounting basis it would significantly reduce the above impact on the defined benefit obligation.

In particular, while an increase in assumption of life expectancies by one year would increase the defined benefit obligation by £185 million, the assets would benefit from an estimated increase of the value of the longevity swap by £95 million and the value of the bulk annuity insurance contracts by £20 million, resulting in a net increase in the defined pension deficit of £70 million.

The insured assets in respect of the buy-in will move in line with the change to the defined benefit obligation, partially offsetting the change to the impacts in the table above.

Further, the ITV Pension Scheme invests in UK government bonds and interest rate and inflation swap contracts and therefore movements in the defined benefit obligation are typically offset, to an extent, by asset movements.

What was the impact of movements on the Schemes' assets and liabilities?

The notes above describe how the Scheme obligations and assets are comprised and measured. The following note sets out the impact of various movements and expenses on the Scheme on the Group's financial information.

Amounts recognised through the Consolidated Income Statement

Amounts recognised through the Consolidated Income Statement are as follows:

	2021 £m	2020 £m
Amount charged to operating costs:		
Scheme administration expenses	(6)	(6)
	(6)	(6)
Amount charged to exceptional costs:		
Past service cost	–	(6)
Amount charged to net financing costs:		
Net interest on net pension deficit	–	(2)
Total charged in the Consolidated Income Statement	(6)	(14)

Amounts recognised through the Consolidated Statement of Comprehensive Income

The amounts recognised through the Consolidated Statement of Comprehensive Income/(cost) are:

	2021 £m	2020 £m
Remeasurement (losses)/gains		
Return on scheme assets excluding interest income	(102)	188
Actuarial gains/(losses) on liabilities arising from change in:		
– experience adjustments	(8)	35
– financial assumptions	88	(355)
– demographic assumptions	(36)	137
	44	(183)
Total recognised in the Consolidated Statement of Comprehensive Income	(58)	5

The £44 million actuarial gain on the Schemes' liabilities was principally due to changes in bond yields offset by updated demographic assumptions. The £102 million loss on the Schemes' assets follows a change in the gilts yields. This has been partially offset by an increase in market implied inflation, increasing the value of the inflation-linked assets, and an increase in the value of the longevity swap.

Addressing the defined benefit 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, where relevant, scheme beneficiaries 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 pension funding partnerships.

The levels of ongoing contributions to the Scheme are based on the expected future cash flows of the Scheme. Contributions in 2022 for administration expenses are expected to be in the region of £6 million (2021: £6 million) and deficit funding contributions for the main ITV scheme in 2022 are expected to be £60 million (2021: £60 million), assuming current contribution rates continue as agreed with the Trustee. This is subject to the new funding schedule which will be finalised as part of the triennial valuation in 2022.

As part of the action to tighten cash flows as a result of COVID-19, we agreed with the pension Trustees to defer £15 million of the 2020 funding contributions. The £15 million will now be paid in a lump sum in March 2022 in addition to the above £60 million.

The Group's deficit funding contributions for the year was £60 million (2020: £45 million).

The Group has two asset-backed pension funding agreements with the Trustee and makes annual payments of £11 million for 12 years from 2011, and £3 million, increasing by 5% per annum until 2038. In 2022, a payment of £14 million is expected as a result of those agreements.

SDN Pension Funding Partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustee backed by the asset of SDN, which resulted in the assets of Section A of the defined benefit pension scheme being increased by £200 million. The Group is contracted to provide additional collateral to support the original value of the structure at the rate of £50.7 million each year from March 2019 to March 2022. The contract provided that the cash collateral would not leave the Group but would be maintained in a restricted bank account. The Trustee agreed to accept a letter of credit as an alternative to the 2019, 2020 and 2021 collateral instalments with the result that £152 million cash collateral did not become due in March 2021. The PFP is currently being reviewed as we look to replace it with an arrangement, which is broadly equivalent in value, using a combination of an alternative asset backed by SDN and cash contributions to the scheme. There may be a short delay in implementing this alternative, in which case we may have to arrange an additional £50 million of collateral for the Trustee.

London Television Centre Pension Funding Partnership

In 2014, ITV established a Pension Funding Partnership with the Trustees backed by the London Television Centre which resulted in the assets of Section A of the defined benefit pension scheme being increased by £50 million. In November 2019 the London Television Centre was sold. £50 million of the proceeds has been held in a restricted bank account as a replacement asset in the pension funding arrangement.

The Scheme's interest in these Partnerships reduces the deficit on a funding basis but does not impact the deficit on an IAS 19 basis as the Scheme's interest is not a transferrable financial instrument.

Both these structures continue to be reviewed in 2022.

IFRIC 14 clarifies how the asset ceiling rules should be applied if the Schemes are expected to be in surplus, for example as a result of deficit funding agreements. The Group has determined that it has an unconditional right to a refund of any surplus assets if the Schemes are run off until the last member dies. On this basis, IFRIC 14 rules do not cause any change in the pension deficit accounting or disclosures.

Notes to the Financial Information

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. Any potential courses of action in relation to this 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. The Directors take into account the available realised distributable reserves from which a dividend would be paid in addition to liquidity and solvency of the Group. The Directors also consider the capital structure and dividend policy in the context of the Group's ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value. The ITV plc Board oversees governance and approves tax and treasury related policies and procedures.

4.1 Net debt

Keeping it simple

Net debt is the Group's key measure used to evaluate total cash resources net of the current outstanding debt, including our discounted lease liabilities. A full analysis and discussion of net debt and covenant net debt is included in the Operating and Performance Review.

The tables below analyse movements in the components of net debt during the year:

	1 January 2021 £m	Net cash flow £m	Currency and non-cash movements £m	31 December 2021 £m
Loans and facilities due within one year	(7)	(21)	(262)	(290)
Loans and facilities due after one year	(1,078)	18	328	(732)
Total loans and facilities	(1,085)	(3)	66	(1,022)
				–
Currency component of swaps held against euro denominated bonds	(23)	–	(13)	(36)
Lease liabilities	(105)	29	(16)	(92)
Total debt	(1,213)	26	37	(1,150)
				–
Restricted cash*	50	–	–	50
Cash	296	(50)	–	246
Cash equivalents	322	121	(3)	440
Total cash and cash equivalents*	618	71	(3)	686
Net debt	(545)	97	34	(414)

* £50 million of cash, the use of which is restricted to meeting the commitments under the asset-backed pension agreements has been presented as restricted cash in 2021. The comparative balances for 31 December 2020 have also been restated.

	1 January 2020 £m	Net cash flow £m	Acquisitions £m	Currency and non-cash movements £m	31 December 2020 £m
Loans and facilities due within one year	(10)	7	—	(4)	(7)
Loans and facilities due after one year	(1,016)	(5)	—	(57)	(1,078)
Total loans and facilities	(1,026)	2	—	(61)	(1,085)
Currency component of swaps held against euro denominated bonds	(24)	—	—	1	(23)
Lease liabilities	(89)	26	—	(42)	(105)
Total debt	(1,139)	28	—	(102)	(1,213)
Restricted cash*	50	—	—	—	50
Cash	93	205	—	(2)	296
Cash equivalents	103	220	—	(1)	322
Total cash and cash equivalents*	196	425	—	(3)	618
Net debt	(893)	453	—	(105)	(545)

Loans and facilities due within one year

Throughout the year, the Group had a £630 million Revolving Credit Facility ('RCF') to meet short-term funding requirements. At 31 December 2021, the Group had drawings of £nil under the RCF (2020: £nil), leaving £630 million available to draw down. The maximum draw down of the RCF during the year was £nil (2020: £210 million). Subsequent to the year end, the Group has agreed a new syndicated £500 million RCF. The terms of the new RCF run until January 2027 (with the opportunity to renew for one or two years from the expiry date, potentially providing funding out to 2029). This facility replaces the previous £630 million facility, which was due to mature in 2023. The financial covenants in the new RCF remain unchanged. There are ESG targets linked to the delivery of ITV's science-based carbon emissions targets.

The €335 million Eurobond, which has a coupon of 2.125%, matures in September 2022.

Loans and loan notes due after one year

In addition to the above, the Group has the following Eurobonds in issue:

- €259 million at a fixed coupon of 2.0%, which matures in December 2023
- €600 million at a fixed coupon of 1.375%, which matures in September 2026
- The €600 million bond issued in September 2019 has been swapped back to sterling using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c.2.9%.

Available facilities

The Group has taken steps to strengthen the Group's liquidity:

- The Group has a £300 million bilateral loan facility which matures on 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants. At 31 December 2021 £152 million of the facility was utilised as a letter of credit to support the Group's asset-backed pension scheme arrangement currently in place in respect of the defined benefit pension scheme. See section 3.6 for details.
- As noted above, the Group had £630 million of committed funding through a Revolving Credit Facility ('RCF') with a group of relationship banks which is available until 2023. This was replaced in January 2022 with a new £500 million RCF which runs until January 2027. The RCF documentation continues to define a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). Both are tested at 30 June and 31 December each year. During the first half of 2020, as a precautionary measure, these financial covenants were replaced with two new temporary covenants requiring covenant net debt to be maintained below £1,800 million and covenant liquidity (defined as cash and cash equivalents plus unused committed credit lines) to be maintained at greater than £250 million. Both of these financial covenants were tested on a quarterly basis from 30 June 2020 through to 30 June 2021. From 31 December 2021, the testing of the leverage and interest cover financial covenant tests was reinstated and the two temporary covenants fell away. All financial covenants were met and the facility remains available at 31 December 2021.
- The Group also had a £100 million Receivables Purchase Agreement (RPA) which was unutilised and cancelled during the course of the year.

4.2 Borrowings

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 (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 set out 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. This estimation of fair value is consistent with instruments valued under level 1 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 Consolidated Income Statement over the period of the borrowing on an effective interest rate basis.

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 3.1.3), and cash and cash equivalents (see 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. The Group also reviews other significant receivables and will seek to take out credit insurance on an individual basis where appropriate.

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. Cash and cash equivalents include money market funds valued at fair value through profit and loss.

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 borrowing 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 were provided during 2021 through bank credit facilities totalling £930 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 any possible future impact on credit ratings and headroom and takes into account the accessibility of cash and cash equivalents.

During 2021 (and 2020) the Group had a £630 million Revolving Credit Facility with a group of relationship banks. This facility was due to mature in 2023 and was committed with leverage and interest cover financial covenants. In addition, the Group has £300 million of financial covenant free financing, which runs to June 2026.

Subsequent to the year end, the Group has agreed a new syndicated £500 million Revolving Credit Facility. The terms of the new Revolving Credit Facility run until January 2027 (with the opportunity to renew for one or two years from the expiry date, potentially providing funding out to 2029).

This facility replaces the previous £630 million facility, which was due to mature in 2023. The financial covenants in the new Revolving Credit Facility remain unchanged. There are ESG targets linked to the delivery of ITV's science-based carbon emissions targets.

Fair value versus book value

The tables below provide fair value information for the Group's borrowings:

	Maturity	Book value		Fair value	
		2021 £m	2020 £m	2021 £m	2020 £m
Loans due within one year					
€335 (previously €600) million Eurobond	Sept 2022	281	—	284	—
Other short-term loans	Various	9	7	9	7
		290	7	293	7
Loans due in more than one year					
€335 (previously €600) million Eurobond	Sept 2022	—	299	—	308
€259 (previously €500) million Eurobond	Dec 2023	218	232	225	240
€600 million Eurobond	Sept 2026	504	537	518	553
Other long-term loans	Various	10	10	10	10
		732	1,078	753	1,111
		1,022	1,085	1,046	1,118

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

Cross-currency interest rate swaps are derivative instruments used to exchange the principal and interest coupons in a debt instrument from one currency to another

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 Consolidated 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 Consolidated 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 from third parties at the reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to exit the swap at the reporting date, taking into account current interest rates and the Group's current creditworthiness, as well as that of the 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 for up to five years forward.

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 and cross-currency interest rate 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. 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 exposure to foreign currency risk resulting from a 10% strengthening/weakening in sterling against the US dollar and euro, assuming all other variables are held constant:

	Impact on profit before tax 2021 £m	Impact on profit before tax 2020 £m	Impact on Equity 2021 £m	Impact on Equity 2020 £m
US dollar – increase 10%	(3)	(3)	4	(4)
US dollar – decrease 10%	3	3	(4)	3
Euro – increase 10%*	(1)	(3)	15	10
Euro – decrease 10%*	2	3	(19)	(14)

* Equity impact is offset by the euro net assets in the translation reserve using the Net Investment Hedge

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.

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.

At 31 December 2021, the Group's fixed rate debt represented 99.8% of total gross debt (2020: 99%), therefore with the majority of debt issued at fixed interest rates, changes in the floating rates of interest do not significantly affect the Group's net interest charge. There are no other material floating interest rate financial instruments.

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 2021	Assets £m	Liabilities £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	1	(2)
Foreign exchange forward contracts and swaps – fair value through profit or loss	2	(3)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(36)
Foreign exchange forward contracts and swaps – cash flow hedges	–	(1)
	3	(42)
At 31 December 2020	Assets £m	Liabilities £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	4	(2)
Foreign exchange forward contracts and swaps – fair value through profit or loss	2	(5)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(23)
Foreign exchange forward contracts and swaps – cash flow hedges	2	(1)
Foreign exchange forward contracts and swaps – fair value through profit or loss	–	–
	8	(31)

Cash flow hedges

The Group applies hedge accounting for certain foreign currency firm commitments and highly probable cash flows where the underlying cash flows are payable within the next seven years. In order to fix the sterling cash outflows associated with the commitments and interest payments – which are mainly denominated in US dollars or euros – the Group has taken out forward foreign exchange contracts and cross-currency interest rate swaps for the same foreign currency amount and maturity date as the expected foreign currency outflow.

There is an economic relationship between the hedged items (being between 60% to 100% of the total exposure) and the hedging instruments as the terms of the foreign exchange forward contracts and cross-currency interest rate swaps match the terms of the expected highly probable forecast transactions or firm commitments (i.e. % notional amount and expected receipt or payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange forward contracts are identical to the hedged risk components.

Sources of ineffectiveness include:

- Different interest rate curve applied to discounting the hedged items and hedging instruments
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group uses the hedge relationship, credit risk and hedge ratio to measure the hedge effectiveness.

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 (2020: less than £1 million) of ineffectiveness taken to the Consolidated Income Statement and £2 million of cumulative gain (2020: less than £1 million of cumulative gain) was recycled to the Consolidated Income Statement in the year.

Under IFRS 9, the Group has adopted the 'cost of hedging' approach which allows the recognition of the value of the currency basis at inception of the hedge to be recorded on the Consolidated Statement of Financial Position and amortised through net financing costs in the Consolidated Income Statement over the life of the bond. Any mark-to-market change in fair value of the currency basis is recognised in 'cost of hedging' in the Consolidated Statement of Comprehensive Income.

Net investment hedges

The Group uses euro denominated debt to hedge against the change in the sterling value of its euro denominated net assets due to movements in foreign exchange rates. A foreign exchange gain of £13 million (2020: loss of £11 million) 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.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the euro denominated borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowing.

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.

	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
At 31 December 2021						
Non-derivative financial liabilities						
Borrowings	(1,022)	(1,071)	(308)	(229)	(528)	(6)
Lease liabilities	(92)	(103)	(21)	(19)	(33)	(30)
Trade and other payables	(841)	(841)	(824)	(17)	–	–
Contract liabilities	(359)	(359)	(359)	–	–	–
Other payables – non-current	(28)	(28)	–	(23)	(5)	–
Other payables – commitments on acquisitions	(64)	(79)	(26)	(1)	(52)	–
Derivative financial instruments						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	1	193	147	46	–	–
Outflow	(3)	(196)	(149)	(47)	–	–
Cross-currency swaps – cash flow hedges						
Inflow	–	539	7	7	525	–
Outflow	(36)	(612)	(16)	(16)	(580)	–
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	2	312	308	4	–	–
Outflow	(3)	(311)	(307)	(4)	–	–
	(2,445)	(2,556)	(1,548)	(299)	(673)	(36)
At 31 December 2020						
Non-derivative financial liabilities						
Borrowings	(1,085)	(1,155)	(26)	(318)	(261)	(550)
Lease liabilities	(105)	(118)	(27)	(29)	(31)	(31)
Trade and other payables	(850)	(850)	(796)	(43)	(11)	–
Contract liabilities	(271)	(271)	(271)	–	–	–
Other payables – non-current	(15)	(15)	–	(8)	(7)	–
Other payables – commitments on acquisitions	(209)	(227)*	(166)	(22)	(17)	(22)
Derivative financial instruments						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	6	170	113	50	7	–
Outflow	(3)	(169)	(113)	(49)	(7)	–
Cross-currency swaps – cash flow hedges						
Inflow	–	580	7	7	22	544
Outflow	(23)	(627)	(16)	(16)	(47)	(548)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	2	370	367	3	–	–
Outflow	(5)	(388)	(385)	(3)	–	–
	(2,558)	(2,700)	(1,313)	(428)	(352)	(607)

* Undiscounted expected future payments depending on performance of acquisitions; the total maximum consideration is discussed in the Finance Review.

Timing profile of hedging instrument

Keeping it simple

The Group is required to provide a breakdown that discloses a profile of the timing of the nominal amount of the hedging instrument and if applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument.

The Group is holding the following foreign exchange and cross-currency interest rate swap contracts:

At 31 December 2021	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Greater than 5 years	Total
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(11)	5	–	–	(6)
Average forward rate (AUD/GBP)	2.0825	1.8311	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	2	–	–	–	2
Average forward rate (CAD/GBP)	1.7302	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(35)	(1)	–	–	(36)
Average forward rate (CAD/USD)	1.2375	1.2400	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (DKK/GBP)	8.6956	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(187)	(19)	–	–	(206)
Average forward rate (EUR/GBP)	1.1658	1.1152	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	6	–	–	–	6
Average forward rate (NOK/GBP)	11.9988	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (SEK/GBP)	12.0070	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	103	10	–	–	113
Average forward rate (USD/GBP)	1.3370	1.3387	–	–	
Cross-currency interest rate swaps					
Notional amount (£m)	–	–	511	–	511
Average hedge rate (EUR/GBP)	–	–	1.1253	–	

At 31 December 2020	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Greater than 5 years	Total
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(17)	(10)	–	–	(27)
Average forward rate (AUD/GBP)	1.8780	2.0684	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	5	1	–	–	6
Average forward rate (CAD/GBP)	1.7596	1.7274	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(35)	–	–	–	(35)
Average forward rate (CAD/USD)	1.3037	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(181)	(19)	–	–	(200)
Average forward rate (EUR/GBP)	1.0897	1.0539	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	4	–	–	–	4
Average forward rate (NOK/GBP)	11.6336	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	3	–	–	–	3
Average forward rate (SEK/GBP)	11.2335	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (THB/GBP)	40.9211	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	2	–	–	–	2
Average forward rate (USD/EUR)	1.2562	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	113	10	–	–	123
Average forward rate (USD/GBP)	1.3472	1.3218	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (ZAR/AUD)	11.2282	–	–	–	
Cross-currency interest rate Swaps					
Notional amount (£m)	–	–	–	544	544
Average hedge rate (EUR/GBP)	–	–	–	1.1253	

Impact of hedged items on Consolidated Statement of Financial Position, Consolidated Statement of Other Comprehensive Income and Consolidated Statement of Changes in Equity

Keeping it simple

This table provides the following details in relation to cash flow hedge and net investment hedge:

- the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period
- the balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges
- the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied.

The impact of hedged items on the Consolidated Statement of Financial Position is, as follows:

Cash flow hedge

	2021			2020		
	Change in fair value used for measuring ineffectiveness £m	Closing cash flow hedge reserve £m	Closing cost of hedging reserve £m	Change in fair value used for measuring ineffectiveness £m	Closing cash flow hedge reserve £m	Closing cost of hedging reserve £m
At 31 December						
Highly probable/firm commitment forecast transactions	(2)	(1)	(1)	2	4	(2)
Borrowings	(8)	1	(8)	(26)	(18)	(8)

Net investment hedge

	Change in fair value used for measuring ineffectiveness	Foreign currency translation reserve
At 31 December 2021		
Net investment in foreign subsidiaries	13	13

The hedging gain recognised in the Consolidated Statement of Changes in Equity before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in the Consolidated Income Statement.

Keeping it simple

This table details the effect of the cash flow hedge in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income.

The effect of the cash flow hedge in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income is as follows:

	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in Income Statement	Line item in the Income Statement	Cost of hedging recognised in OCI	Amounts reclassified from OCI to Income Statement	Line item in the Income Statement
At 31 December 2021						
Highly probable/firm commitment forecast transactions	(2)	–		1	(2)	Overheads/ Cost of Sales
			Net Finance			
Borrowing	(8)	(1)	Cost	(1)	–	
At 31 December 2020						
Highly probable/firm commitment forecast transactions	2	–		–	(1)	Overheads/ Cost of Sales
			Net Finance			
Borrowing	(26)	(1)	Cost	(6)	–	

Set out below is the reconciliation of each component of the translation reserve reported in the Consolidated Statement of Changes in Equity and the analysis of other comprehensive income:

	Cash flow hedge reserve £	Cost of hedge reserve £	Foreign currency reserve £	Translation reserve £
As at 1 January 2020	(15)	(3)	50	32
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	7	–	–	7
Cross-currency interest rate swaps – borrowings:				
Change in fair value from the effective hedge instrument	23	(6)	–	17
Amount reclassified to Income Statement				
FX forward reclassified to cost of sales/overheads	(1)	–	–	(1)
CCIRS reclassified to finance costs	(29)	–	–	(29)
Net gain on cash flow hedges and cost of hedging	–	(6)	–	(6)
Foreign currency revaluation of the EUR borrowing	–	–	(11)	(11)
Foreign currency revaluation of the net foreign operations	–	–	(8)	(8)
Exchange differences on translation of foreign operations (net of hedging)	–	–	(19)	(19)
Tax effect	–	–	–	–
As at 31 December 2020	(15)	(9)	31	7
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	(2)	1	–	(1)
Cross-currency interest rate swaps – borrowings:				
Change in fair value from the effective hedge instrument	(13)	(1)	–	(14)
Amount reclassified to Income Statement				
FX forward reclassified to cost of sales/overheads	(2)	–	–	(2)
CCIRS reclassified to finance costs	32	–	–	32
Net gain on cash flow hedges and cost of hedging	15	–	–	15
Foreign currency revaluation of the EUR borrowing	–	–	13	13
Foreign currency revaluation of the net foreign operations	–	–	4	4
Exchange differences on translation of foreign operations (net of hedging)	–	–	17	17
Income tax (charge)/credit reclass*	7	–	–	7
Income tax (charge)/credit on other comprehensive income/(expense)	(4)	2	(3)	(5)
As at 31 December 2021	3	(7)	45	41

* Income tax on other comprehensive income has been reallocated to the relevant reserves from Retained Earnings in the current year.

Netting arrangements of financial instruments

Keeping it simple

This section details Group's financial assets and financial liabilities that are subject to netting and set-off arrangements. Financial assets and liabilities that are subject to set-off arrangements and disclosed on a net basis in the Group's Statement of Financial Position relate to cash pooling arrangements. Amounts which do not meet the criteria for offsetting on the Consolidated Statement of Financial Position but could be settled net in certain circumstances principally relate to derivative transactions executed under ISDA agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

At 31 December 2021	Gross financial assets/ liabilities £m	Gross collateral assets/liabilities set-off £m	Net financial assets/ liabilities per balance sheet £m	Related amounts not set-off in the balance sheet £m	Net £m
Assets					
Derivative financial instruments	3	—	3	(3)	—
Restricted cash	50	—	50	—	50
Cash and cash equivalents	686	—	686	—	686
Liabilities					
Derivative financial instruments	(42)	—	(42)	3	(39)
Loans and facilities	(1,022)	—	(1,022)	—	(1,022)
At 31 December 2020	Gross financial assets/liabilities £m	Gross collateral assets/liabilities set-off £m	Net financial assets/ liabilities per balance sheet £m	Related amounts not set-off in the balance sheet £m	Net £m
Assets					
Derivative financial instruments	8	—	8	—	8
Restricted cash	50	—	50	—	50
Cash and cash equivalents	618	—	618	—	618
Liabilities					
Derivative financial instruments	(31)	—	(31)	—	(31)
Loans and facilities	(1,085)	—	(1,085)	—	(1,085)

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 Finance 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, unwinding of the discount on provisions, unwinding of the discount on liabilities to non-controlling interest, foreign exchange gain/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:

	2021 £m	2020 £m
Financing income		
Interest income	4	2
Foreign exchange gain	4	–
	8	2
Financing costs		
Interest expense on financial liabilities measured at amortised cost	(26)	(27)
Net pension interest (see note 3.6)	–	(2)
Foreign exchange loss	–	(3)
Other finance expense	(22)	(14)
Financing exceptional item: acquisition-related	(10)	–
	(58)	(46)
Net financing costs	(50)	(44)

Interest on financial liabilities relates to the interest incurred on the Group's borrowings and the cross-currency interest rate swaps in the year.

Other finance expense includes lease interest payments, interest on acquisition-related contingent liabilities (not included within the exceptional financing item) and bank charges.

Exceptional finance costs of £10 million (2020: £nil) principally relates to interest accrued on exceptional acquisition-related expenses.

4.5 Fair value hierarchy

Keeping it simple

The financial instruments included in the Consolidated 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. The Group 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, which 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 exit prices at the current reporting period. 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 Consolidated Statement of Financial Position at fair value.

	Fair value 31 December 2021 £m	Level 1 31 December 2021 £m	Level 2 31 December 2021 £m	Level 3 31 December 2021 £m
Assets measured at fair value				
Financial instruments				
Other pension assets – gilts (see note 3.6)	62	62	–	–
Equity investments (see note 3.4)	4	–	–	4
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	2	–	2	–
Convertible loan receivable	2	–	–	2
Financial assets at fair value through reserves				
Cash flow hedges	1	–	1	–
	71	62	3	6
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(3)	–	(3)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition (see note 3.1.4 and 3.1.5)	(55)	–	–	(55)
Financial liabilities at fair value through reserves				
Cash flow hedges	(39)	–	(39)	–
	(97)	–	(42)	(55)

There have been no changes in the classification of assets and liabilities and there have been no movements within levels. Information on the fair value measurements of level 3 assets and liabilities is detailed in the relevant notes referenced above.

	Fair value 31 December 2020 £m	Level 1 31 December 2020 £m	Level 2 31 December 2020 £m	Level 3 31 December 2020 £m
Assets measured at fair value				
Financial instruments				
Other pension assets – gilts (see note 3.6)	62	62	–	–
Equity investments (see note 3.4)	1	–	–	1
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	2	–	2	–
Financial assets at fair value through reserves				
Cash flow hedges	6	–	6	–
	71	62	8	1

	Fair value 31 December 2020 £m	Level 1 31 December 2020 £m	Level 2 31 December 2020 £m	Level 3 31 December 2020 £m
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(5)	–	(5)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition (see note 3.1.5)	(45)	–	–	(45)
Financial liabilities at fair value through reserves				
Cash flow hedges	(26)	–	(26)	–
	(76)	–	(31)	(45)

Refer to note 4.3 for how we value interest rate swaps and forward foreign currency contracts.

4.6 Lease liabilities

Keeping it simple

From 1 January 2019, the Group accounts for operating leases under IFRS 16 'Leases'. Lease liabilities representing the discounted future lease payments and right of use assets are recognised in the Consolidated Statement of Financial Position. Lease costs such as property rent are now recognised in the form of depreciation and interest in the Consolidated Income Statement.

Accounting policies

Lease liabilities represent the discounted future lease payments. Discount rates are calculated for similar assets, in similar economic environments, taking into account the length of the lease. The unwinding of the discounting is recognised in net financing costs in the Consolidated Income Statement. The following table outlines the maturity analysis of the lease liabilities:

	2021 £m	2020 £m
Contractual discounted cash flows		
Less than one year	21	22
Two to five years	46	42
More than five years	25	41
Lease liabilities at 31 December	92	105

	1 January 2021 £m	Net cash flow £m	Currency and non-cash movements £m	31 December 2021 £m
Lease liabilities	(105)	26	(13)	(92)
Total lease liabilities	(105)	26	(13)	(92)

The following amounts have been included in the Consolidated Income Statement:

	2021 £m	2020 £m
Interest expense on lease liabilities	(3)	(4)
Amounts recognised in the Consolidated Income Statement	(3)	(4)

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases (i.e. lease term less than 12 months) or low-value assets (i.e. under £5,000). The Group will continue to expense the lease payments associated with these leases on a straight-line basis over the lease term. At 31 December 2021, this was less than £1 million (2020: less than £1 million).

Variable lease payments that depend on an index or a rate are also less than £1 million (2020: less than £1 million).

Some property leases contain extension options beyond the non-cancellable period. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The lease liability at 31 December 2021 does not include such extensions. At 31 December 2020, the Group estimated that the future lease payments should it exercise the extension option, would result in an increase in the lease liability of £2 million.

4.7 Equity

Keeping it simple

This section explains material movements recorded in shareholders' equity, presented in the Consolidated Statement of Changes in Equity, which are not explained elsewhere in the financial information.

Accounting policies

Fair value reserve

Financial assets are stated at fair value, with any gain or loss recognised directly in the fair value reserve in equity, unless the loss is a permanent impairment, when it is then recorded in the Consolidated Income Statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment. Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (the Company) and not based on the Group's retained earnings.

4.7.1 Share capital and share premium

The Group's share capital at 31 December 2021 of £403 million (2020: £403 million) and share premium of £174 million (2020: £174 million) is the same as that of ITV plc. Details of this are given in the ITV plc Company financial information section of this Annual Report.

4.7.2 Merger and other reserves

Merger and other reserves at 31 December include the following reserves:

	2021 £m	2020 £m
Merger reserves	95	98
Capital reserves	112	112
Capital redemption reserves	36	36
Revaluation reserves	2	2
Put option liabilities arising on acquisition of subsidiaries	(30)	(24)
Total	215	224

Merger reserves, Capital reserves and Capital redemption reserves relate primarily to balances arising on previous mergers and acquisitions, including the merger of Granada and Carlton in 2003. Put option liabilities arising on acquisition of subsidiaries relates to options and forwards contracts over shares relating to non-controlling interests. The movement in the merger reserve is in relation to the acquisition of the remaining non-controlling interest of Monumental Television Limited. The movement in the put option liability is in relation to a new business in Spain, Cattleya Producciones.

4.7.3 Translation reserve

The translation reserve comprises:

- All foreign exchange differences arising on the translation of the accounts of, and investments in, foreign operations
- The gains or losses on the portion of cash flow hedges that have been deemed effective and costs of hedging under IFRS 9 (see note 4.3)
- The net movement in the cash flow hedge reserve was a gain of £18 million (2020: £nil) The gain on cash flow hedges in the period was £15 million (2020: £nil) and had a related tax charge of £4 million (2020: £nil). A tax credit of £7 million related to prior years was reallocated from retained earnings during the year.
- There was no net movement in the cost of hedging reserve (2020: £6 million loss).

4.7.4 Fair value reserve

The fair value reserve comprises all movements arising on the revaluation of gilts accounted for at fair value through OCI financial instruments. The movement in 2021 is a £5 million charge (2020: £4 million gain). £4 million of this charge is a reallocation of tax charged to retained earnings in prior years to the fair value reserve and £1 million is a tax charge in the current year related to changes in future tax rates. See notes 2.3 and 3.6.

4.7.5 Retained earnings

The retained earnings reserve comprises profit for the year attributable to owners of the Company of £378 million (2020: £285 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, which are described in note 4.8.

The Directors recognise the importance of the dividends to our shareholders and propose a final dividend of 3.3 pence per share, based on two-thirds of a notional full year dividend of 5.0 pence. Due to the COVID-19 pandemic, no dividend payments were made in 2021 or 2020.

4.7.6 Non-controlling interests

Non-controlling interest (NCI) represents the share of non-wholly owned subsidiaries' net assets that are not directly attributable to the shareholders of the ITV Group. The movement for 2021 comprises:

- The share of profit attributable to NCI of £10 million (2020: share of losses attributable to NCI of £4 million)
- Foreign exchange losses of £1 million (2020: £nil)
- The distributions made to NCI of £1 million (2020: £1 million)
- The share of net assets attributable to NCI relating to subsidiaries acquired, disposed or changes in ownership interest in 2021 of £1 million (2020: £6 million)

4.8 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), Executive Share Plan (ESP), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes. The share-based compensation is not pensionable.

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 linked to the price or value of the Group's shares, this will also fall under a share-based transaction.

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 Consolidated 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 SAYE scheme, a Black-Scholes model, taking into account the terms and conditions of the individual scheme. Expected volatility is based on the historic volatility of ITV plc shares over a three or five year period, based on the life of the options.

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. This estimate of the performance measures is used to determine the option fair value, discounted to present value. The Group revises the number of options that are expected to vest, including an estimate of forfeitures at each reporting date based on forecast performance measures. The impact of the revision to original estimates, if any, is recognised in the Consolidated 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 £12 million in 2021 (2020: £6 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)	2021 Weighted average exercise price (pence)	Number of options ('000)	2020 Weighted average exercise price (pence)
Outstanding at 1 January	106,303	24.25	60,073	36.88
Granted during the year – nil priced	9,075	–	34,192	–
Granted during the year – other	3,665	96.37	48,347	56.10
Forfeited during the year	(2,158)	48.56	(3,354)	83.27
Exercised during the year – nil priced	(4,905)	–	(6,017)	–
Exercised during the year – other	(457)	72.34	(3)	87.47
Expired during the year	(12,589)	25.51	(26,935)	76.87
Outstanding at 31 December	98,934	24.98	106,303	24.25
Exercisable at 31 December	877	69.35	2,247	34.42

The average share price during 2021 was 116.48 pence (2020: 86.44 pence).

Of the options still outstanding, the range of exercise prices and weighted average remaining contractual life of these options can be analysed as follows:

Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of options ('000)	2021 Weighted average remaining contractual life (years)	Weighted average exercise price (pence)	Number of options ('000)	2020 Weighted average remaining contractual life (years)
Nil	–	57,336	1.12	–	62,666	1.26
20.00 – 49.99	49.17	31,601	2.80	49.17	34,413	3.70
50.00 – 69.99	–	–	–	–	–	–
70.00 – 99.99	86.31	8,420	1.17	80.00	6,019	2.91
100.00 – 109.99	105.98	846	1.13	105.98	1,043	2.22
110.00 – 119.99	–	–	–	–	–	–
120.00 – 149.99	133.44	596	0.78	131.50	1,939	1.10
150.00 – 199.99	162.55	135	0.77	167.99	200	1.53
200.00 – 249.99	–	–	–	206.83	23	0.33

Assumptions

DSA, LTIP and PSP options are valued directly by reference to the share price at date of grant.

The options granted in the current and prior years for the 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	7 April 2020	65.60	73.69	34.52	3.25	–	0.16	13.37
5 Year	7 April 2020	65.60	73.69	33.54	5.25	–	0.19	17.24
3 Year	7 September 2020	63.80	49.17	39.08	3.25	–	(0.10)	23.79
5 Year	7 September 2020	63.80	49.17	36.29	5.25	–	(0.04)	26.31
3 Year	13 April 2021	122.90	97.95	41.73	3.25	–	0.16	46.48
5 Year	13 April 2021	122.90	97.95	38.12	5.25	–	0.39	51.80
3 Year	6 September 2021	117.10	93.86	42.04	3.25	–	0.23	44.30
5 Year	6 September 2021	117.10	93.86	36.09	5.25	–	0.36	47.33

Notes to the Financial Information

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 this financial information and primarily consist of the EBT's purchases of shares in ITV plc, which is 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 2021 and the 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 2021	21,999,372	2,199,937
LTIP releases		(605,191)	
DSA releases		(1,297,842)	
ESP releases		—	
PSP releases		(1,136,748)	
SAYE releases		(481,343)	
Shares purchased		—	
	31 December 2021	18,478,248	1,847,825

The total number of shares held by the EBT at 31 December 2021 represents 0.46% (2020: 0.55%) of ITV's issued share capital. The market value of own shares held at 31 December 2021 is £20 million (2020: £23 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 that 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. The Trust is accounted for as a separate entity and therefore is only accounted for in the consolidated financial information and not included in the ITV plc Company financial information.

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 information 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:

	2021 £m	2020 £m
Sales to joint ventures	24	17
Sales to associated undertakings	11	9
Purchases from joint ventures	32	29
Purchases from associated undertakings	65	63

The transactions with joint ventures primarily relate to sales and purchases of digital multiplex services with Digital 3&4 Limited and distribution revenue from BritBox LLC. Sales to associated undertakings include airtime sales to DTV Services Limited. Purchases from associated undertakings primarily relate to the purchase of news services from ITN Limited.

All transactions with associated undertakings and joint ventures arise in the normal course of business on an arm's length basis. The amounts owed by and to these related parties at 31 December were:

	2021 £m	2020 £m
Amounts owed by joint ventures	11	9
Amounts owed by associated undertakings	10	5
Amounts owed to joint ventures	1	—
Amounts owed to associated undertakings	9	6

None of the balances are secured.

Amounts owed by joint ventures primarily relate to trading with BritBox LLC and loan to Noho Film and Television Limited. Balances owed by associated undertakings largely relate to loan notes with Route 24 Limited. Balances owed to associated undertakings primarily relate to trading with ITN Limited.

Amounts paid to the Group's retirement benefit plans are set out in note 3.6.

Transactions with key management personnel

Key management consists of ITV plc Executive and Non-executive Directors and the other members of the ITV Management Board. Key management personnel compensation is as follows:

	2021 £m	2020 £m
Short-term employee benefits	13	6
Share-based compensation	4	—
	17	6

5.2 Contingent assets and liabilities

Keeping it simple

A contingent asset or liability is a liability that is not sufficiently certain to qualify for recognition as an asset or provision where uncertainty may exist regarding the outcome of future events.

Contingent assets

In 2017 Talpa Media took back the licence for The Voice of China due to a breach of the agreement by the customer, Talent, by not fulfilling their payment obligations. During 2018 and 2019 £27 million has been received in relation to the amounts due. However, those receipts are currently the subject of an ongoing review. As a result the provision for bad debt, originally recognised as an exceptional cost in 2017, was reinstated at 31 December 2019.

Whilst the Directors remain confident of recovering the amounts due, accounting standards set very specific requirements for the recognition of an asset. As the review of the receipts remains in progress, as well as discussions with the credit insurers, the Group is not able to demonstrate sufficient certainty to be able to recognise a receivable at 31 December 2021.

Contingent liabilities

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 2021 and the date of this report about conditions related to certain events that existed at 31 December 2021, 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 2021. If non-adjusting events are material, non-disclosure could influence the economic decisions that users make on the basis of the financial information. 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.

New sustainability-linked Revolving Credit Facility

On 14 January 2022, we agreed a new syndicated £500 million Revolving Credit Facility (RCF) with Barclays Bank PLC, BNP Paribas, Credit Suisse International, Mizuho Bank, Ltd., National Westminster Bank PLC and Wells Fargo Bank N.A. The terms of the new RCF run until January 2027 replacing the existing facility, which was due to mature in 2023. The RCF documentation continues to define a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). The new RCF is linked to the delivery of ITV's science-based carbon emissions targets. Under the terms, ITV will benefit from a lower interest rate if it delivers emissions reductions in line with its net zero roadmap, which will be assessed on an annual basis and verified by independent external review. The metrics include scope 1, 2 and 3 emissions and will therefore impact right across the ITV supply chain.

The Voice of Holland

In early 2022, allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. An external investigation of the allegations is currently ongoing. While unquantifiable at present, there may be further financial impact on the Group.

BritBox UK

To give ITV greater control over BritBox UK and enable its integration into ITVX, on 2 March 2022, the BBC ceased to be a shareholder in BritBox SVOD Limited (BritBox UK). The BBC continues as a strong partner for BritBox UK and BritBox International and we have agreed a new long term content supply deal with the BBC. All PSB partners are committed to BritBox UK which offers consumers a large library of the majority of PSB British content in one place from the past and recent past. As envisaged by the original shareholder agreement BBC has transferred its 10% shareholding to ITV for nominal consideration. There is no change in control of Britbox UK and the Group now has a 99% shareholding in the company.

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 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. This exemption is taken in accordance with the Companies Act 2006 s479A.

Company number	Company name	Company number	Company name
04195187	12 Yard Productions (Investments) Limited	00608490	ITC Entertainment Group Limited
04145307	12 Yard Productions Limited	06914987	ITV (HC) Limited
10058419	Back Productions Limited	SC375274	ITV (Scotland) Limited
13813181	Big Talk (NEWCO 1) Limited	11516620	ITV 112 Limited
13087812	Big Talk Alone Limited	12956892	ITV Adventures Limited
10496857	Big Talk Cold Feet Limited	13087805	ITV Alder Limited
12092620	Big Talk Friday Limited	11667230	ITV Barking Limited
11109596	Big Talk Goes Wrong Limited	02578005	ITV Breakfast Limited
13087733	Big Talk Horseface Limited	13087759	ITV Duneen Limited
13087735	Big Talk I Hate You Limited	10494684	ITV Enterprises Limited
07037447	Big Talk Investments Limited	04159210	ITV Holdings Limited
10528952	Big Talk Living the Dream Limited	04159213	ITV International Channels Limited
11723899	Big Talk Offenders Limited	04206925	ITV Investments Limited
11109572	Big Talk Peacock Limited	SC473179	ITV LTVC (Scotland) Limited
02897434	Big Talk Pictures Limited	04033106	ITV Mr Selfridge Limited
06567813	Big Talk Productions Limited	00603893	ITV Network Limited
02936337	Boom Cymru TV Ltd	03916436	ITV News Channel Limited
07922831	Boom Pictures Limited	11723842	ITV Nightingale Limited
03866274	Box Clever Technology Limited	00603471	ITV Pension Scheme Limited
01891539	Broad Street Films Limited	01153537	ITV Productions Limited
02285229	Campania Limited	01565625	ITV Properties (Developments) Limited
05078683	Carbon Media Limited	13087782	ITV Ralph and Katie Limited
04159249	Carlton Content Holdings Limited	08554937	ITV Shetland Limited
00301188	Carlton Film Distributors Limited	11723826	ITV Spy Limited
01692483	Carlton Finance Limited	08516153	ITV Text Santa Limited
03984490	Carlton Food Network Limited	09498877	ITV TFG Holdings Limited
03053908	Carlton Programmes Development Limited	11107934	ITV The Bay Limited
03210452	Carlton Screen Advertising (Holdings) Limited	13087693	ITV The Reckoning Limited
03307790	Carltonco 103 Limited	12368504	ITV TLC Limited
02625225	Carltonco Forty Investments Limited	09498177	ITV Top Class Limited
03210363	Carltonco Ninety-Six Limited	03089273	ITV Ventures Limited
02280048	Castlefield Properties Limited	11107431	ITV Vera Limited
06409013	Cat's on the Roof Media Limited	13087699	ITV Y&M Limited
04257248	Channel Television Holdings Limited	05518785	Juice Music UK Limited
08195508	Cirkus Limited	11108285	Mammoth Screen (ABC) Limited
10240192	Cloth Cat LBB Limited	12368661	Mammoth Screen (BHR) Limited
02852812	Cosgrove Hall Films Limited	09355455	Mammoth Screen (End) Limited
09366309	Crook Productions Limited	08546227	Mammoth Screen (End2) Limited
05421502	Cynhyrchiadau Boomerang Cyfyngedig	11109917	Mammoth Screen (End6) Limited
08479545	Double Double Limited	11908267	Mammoth Screen (END7) Limited
07821062	EQ Pictures Limited	12368766	Mammoth Screen (End8) Limited
09366308	Gameface Productions Limited	10528827	Mammoth Screen (End9) Limited
05946785	Gorilla TV Group Limited	13087685	Mammoth Screen (Evans) Limited
03776018	Gorilla TV Limited	11995990	Mammoth Screen (MD) Limited
00290076	Granada Group Limited	12735978	Mammoth Screen (MD2) Limited
03962410	Granada Limited	11062257	Mammoth Screen (NC) Limited
03106798	Granada Media Limited	11908285	Mammoth Screen (PH) Limited
05344772	Granada Screen (2005) Limited	09660486	Mammoth Screen (Pol2) Limited
00733063	Granada Television Overseas Limited	10031005	Mammoth Screen (Pol3) Limited
00250311	Granada UK Rental and Retail Limited	10528763	Mammoth Screen (Pol4) Limited
04842712	Interactive Telephony Limited	11108289	Mammoth Screen (Pol5) Limited

Company number	Company name	Company number	Company name
08799982	Mammoth Screen (Poldark) Limited	03991026	So Television Limited
09646520	Mammoth Screen (QV) Limited	07155077	The Garden Productions Limited
11108327	Mammoth Screen (Serpent) Limited	02351132	TwoFour Broadcast Limited
11204836	Mammoth Screen (SG) Limited	08602993	Twofour Group Holdings Limited
NI678277	Mammoth Screen (TJ) Limited	05493388	TwoFour Group Limited
13087656	Mammoth Screen (Tower) Limited	06469484	VOD Member (ITVA) Limited
10528702	Mammoth Screen (VF) Limited	06469482	VOD Member (ITVB) Limited
11108322	Mammoth Screen (Vic3) Limited	11109744	WP Anne Limited
11108320	Mammoth Screen (WOF) Limited	10796122	WP Bodyguard Limited
10973979	Mammoth Screen (WOTW) Limited	12368643	WP Diplomat Limited
05976248	Mammoth Screen Ltd	11109437	WP Faslane Limited
13412337	Metavision Limited	12116627	WP Karen Pirie Limited
04201477	Morning TV Limited	11109287	WP LOD5 Limited
13813329	MT Mrs Sidhu Limited	12116457	WP LOD6 Limited
13087117	MT MURDER IN PROVENCE Limited	13087865	WP Malpractice Limited
13506403	Planet Woo Limited	12116461	WP Pembrokeshire Limited
13714204	QSP Nolly Limited	13087860	WP RM Limited
12350991	Second Act (Grace) Limited	11109929	WP Save Me 2 Limited
09366311	Second Act Productions Limited	12368475	WP Showtrial Limited
07714999	Sightseers Film Limited	12368477	WP The Suspect Limited

ITV Properties (Jersey) Limited is exempt from audit under article 113 of the Companies Act (Jersey) Law 1991

ITV plc Company Financial Information

Statement of Financial Position

As at 31 December	Note	2021 £m	2020 £m
Non-current assets			
Investments in subsidiary undertakings	iii	3,080	2,733
Derivative financial instruments	vi	1	3
Deferred tax asset		3	1
		3,084	2,737
Current assets			
Amounts owed by subsidiary undertakings due within one year	iv	4,277	3,782
Amounts owed by subsidiary undertakings due after more than one year	iv	527	509
Amounts owed by subsidiary undertakings	iv	4,804	4,291
Derivative financial instruments	vi	7	9
Other receivables		8	4
Cash and cash equivalents		549	449
		5,368	4,753
Current liabilities			
Borrowings		(281)	–
Amounts owed to subsidiary undertakings	iv	(5,026)	(4,197)
Accruals		(10)	(7)
Derivative financial instruments	vi	(8)	(11)
		(5,325)	(4,215)
Net current assets		43	538
Non-current liabilities			
Borrowings	v	(722)	(1,067)
Derivative financial instruments	vi	(37)	(25)
		(759)	(1,092)
Net assets		2,368	2,183
Shareholders' equity			
Share capital	vii	403	403
Share premium	viii	174	174
Other reserves	viii	31	10
Retained earnings	viii	1,760	1,596
Total shareholders' equity		2,368	2,183

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company Income Statement. The Company's profit for the year was £150 million (2020: loss of £65 million).

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 2021		403	174	10	1,596	2,183
Total comprehensive income for the year						
Profit for the year		–	–	–	150	150
Net gain on cash flow hedges and cost of hedging		–	–	19	–	19
Income tax charge on other comprehensive income*				2	1	3
Total comprehensive income for the year		–	–	21	151	172
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		–	–	–	–	–
Movements due to share-based compensation		–	–	–	12	12
Tax on items taken directly to equity		–	–	–	1	1
Total transactions with owners		–	–	–	13	13
Balance at 31 December 2021	vii/viii	403	174	31	1,760	2,368

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2020		403	174	22	1,655	2,254
Total comprehensive loss for the year						
Loss for the year		–	–	–	(65)	(65)
Net loss on cash flow hedges and cost of hedging		–	–	(12)	–	(12)
Total comprehensive loss for the year		–	–	(12)	(65)	(77)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		–	–	–	–	–
Movements due to share-based compensation		–	–	–	6	6
Tax on items taken directly to equity		–	–	–	–	–
Total transactions with owners		–	–	–	6	6
Balance at 31 December 2020	vii/viii	403	174	10	1,596	2,183

* Income tax on other comprehensive income has been reallocated to the relevant reserves from Retained Earnings in the current year.

Notes to the ITV plc Company Financial Information

Note i Accounting policies

In this section

- This section sets out the notes to the ITV plc Company only financial information. This information forms the basis of the dividend decisions made by the Directors, as explained in detail in note viii below. The notes form part of the financial information.

Basis of preparation

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. This financial information were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The Company is registered in England and Wales.

In preparing this financial information, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Exemptions applied

- Presentation of a Statement of Cash Flows and related notes
- Disclosure in respect of capital management
- 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

The Company proposes to continue to apply the reduced disclosure framework of FRS 101 in its next financial statements.

The financial information has been prepared on a going concern basis.

Change in accounting policy

New accounting standards, interpretations and amendments that are effective from 1 January 2021 have not has significant impact on the Company's results or Statement of Financial Position.

Accounting judgements and estimates

The preparation of financial information requires management to exercise judgement in applying the Company'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.

The area involving material judgement is the recoverability of investments in subsidiary undertaking. Further details are provided in note iii.

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.

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 other reserves within equity. The cumulative gain or loss is later reclassified to the profit and loss account in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

The fair value of foreign currency forward contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the balance sheet date.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

Third-party valuations are used to fair value the Company's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs. For financial assets and liabilities classified at fair value through profit or loss, the fair value change and interest income/expense are not separated.

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 Company 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

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, this will also fall under a share-based transaction. The Company recognises the retained earnings impact of the share-based compensation for the Group as awards are settled in ITV plc shares. The cost of providing those awards is recognised as a cost of investment to the subsidiaries that receive the service from employees.

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 SAYE scheme, a Black-Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant 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, is 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 Trust is accounted for as a separate entity and therefore is only accounted for in the consolidated financial information.

Dividends to shareholders

Dividends payable to shareholders are recognised through equity on the earlier of their approval by the Company's shareholders or their payment. Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (Company) and not based on the Group's retained earnings.

Note ii Employees and share- based payments

Two (2020: two) Directors of ITV plc (i.e. the Executive Directors) were employees of the Company during the year, both of whom remain employed at the year end. The costs relating to these Directors are disclosed in the Remuneration Report.

Share-based payments

The weighted average share price of share options exercised during the year was 72.3 pence (2020: 87.47 pence) (excluding nil priced share options). The options outstanding at the year end have an exercise price in the range of nil to 162.55 pence (2020: nil to 206.83 pence) and a weighted average contractual life of two years (2020: two years) for all the schemes in place for the Group.

Note iii Investments in subsidiary undertakings

The carrying value at 31 December 2021 was £3,080 million (2020: £2,733 million). The Company subscribed to one ordinary share in Carlton Communications Limited for £511 million, which was passed down to the relevant Group companies as part of the restructure of our Dutch and German Studios businesses. During the year a wholly owned subsidiary, ITV (Europe) Holdings BV was sold at book value of £511 million to another Group company.

The carrying value of the Company's investments in subsidiary undertakings is assessed for impairment on an annual basis. Determining whether the carrying amount has any indication of impairment requires judgement. In testing for impairment, estimates are used in deriving cash flows and the discount rates. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. The outcome of the value in use calculation supports the carrying value of the investment in subsidiary undertakings with headroom of £6,533 million (2020: £5,009 million).

Due to the significant headroom, there is no reasonably possible scenario that would result in a material adjustment to the amounts reported in the financial information.

The Company's review resulted in no impairment for 2021 (2020: no impairment).

Note 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. The classification of balances as due after more than one year is based on the intention of when the balances are expected to be settled rather than the contractual terms.

The credit risk management practices of the Company include internal review and reporting of the historic credit losses and forward-looking data. The Company applies the IFRS 9 simplified approach in measuring expected credit losses which use a lifetime expected credit loss allowance for amounts due from subsidiary undertakings, and other receivables.

To measure expected credit losses, amounts due from subsidiary undertakings, and other receivables have been grouped by shared credit risk characteristics. In addition to the expected credit losses, the Company may make additional provisions for the particular receivables if the deterioration of financial position is observed.

Note v Net debt

Keeping it simple

The Directors manage the Group's capital structure as disclosed in section 4 to the consolidated financial information. Borrowings, cash and derivative financial instruments are mainly held by ITV plc and disclosed in these Company financial information.

Cash and cash equivalents

At 31 December 2021, the Company has a cash position of £549 million (2020: £449 million).

Loans and facilities due within one year

Throughout the year, the Company had a £630 million Revolving Credit Facility ("RCF") to meet short-term funding requirements. At 31 December 2021, the Company had drawings of £nil under the RCF (2020: £nil), leaving £630 million available to draw down. The maximum draw down of the RCF during the year was £nil (2020: £210 million). Subsequent to the year end, the Company has agreed a new syndicated £500 million RCF. The terms of the new RCF run until January 2027 (with the opportunity to renew for one or two years from the expiry date, potentially providing funding out to 2029). This facility replaces the previous £630 million facility, which was due to mature in 2023. The financial covenants in the new RCF remain unchanged. There are ESG targets linked to the delivery of ITV's science-based carbon emissions targets.

The €335 million Eurobond, which has a coupon of 2.125%, matures in September 2022.

Loans and loan notes due after one year

The Company has issued the following Eurobonds:

- €259 million at a fixed coupon of 2.0%, which will mature in December 2023
- €600 million at a fixed coupon of 1.375%, which matures in September 2026

The €600 million bond issued in September 2019 has been swapped back to sterling using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c. 2.9%.

See section 4.1 of the Group Notes for further details of borrowings and available facilities.

Note vi Managing market risks: derivative financial instruments

What is the value of our derivative financial instruments?

	Assets 2021 £m	Liabilities 2021 £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	5	(5)
Foreign exchange forward contracts and swaps – fair value through profit or loss	2	(3)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(36)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	(1)
	8	(45)
	Assets 2020 £m	Liabilities 2020 £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	6	(5)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(6)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(22)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(3)
	12	(36)

The Company employs cross-currency interest rate swaps to exchange the principal and interest coupons in a debt instrument from one currency to another.

Currency risk

The Company's foreign exchange policy is to use cross-currency interest rate swaps both to manage foreign currency cash flow timing differences and to hedge foreign currency denominated monetary items.

Cash flow hedges

In order to fix the sterling cash outflows associated with the commitments and interest payments – which are mainly denominated in euros – the Company has taken out cross-currency interest rate swaps 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 (2020: less than £1 million) ineffectiveness taken to the Income Statement and £3 million cumulative gain (2020: £4 million cumulative gain) recycled to the Income Statement in the year.

On issuing the 2026 Eurobond in September 2019, the Company subsequently entered into a new portfolio of cross-currency interest rate swaps, which swapped the euro principal and fixed euro interest rate coupons into fixed sterling interest rate. As a result, the Group makes sterling interest payments at a fixed rate.

Under IFRS 9, the Company has adopted the 'cost of hedging' approach which allows the recognition of the value of the currency basis at inception of the hedge to be recorded on the Statement of Financial Position and amortised through net financing costs in the Income Statement over the life of the bond. Any mark-to-market change in fair value of the currency basis is recognised in 'cost of hedging' in the Statement of Comprehensive Income.

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.

	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
At 31 December 2021 *						
Non-current and current						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	5	321	229	92	–	–
Outflow	(5)	(318)	(227)	(91)	–	–
Cross-currency swaps – cash flow hedges						
Inflow	–	539	7	7	525	–
Outflow	(36)	(612)	(16)	(16)	(580)	–
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	350	342	8	–	–
Outflow	(4)	(349)	(341)	(8)	–	–
	(37)	(72)	(8)	(9)	(55)	–
At 31 December 2020						
Non-current and current						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	9	341	227	100	14	–
Outflow	(8)	(341)	(227)	(100)	(14)	–
Cross-currency swaps – cash flow hedges						
Inflow	–	580	7	7	22	544
Outflow	(22)	(627)	(16)	(16)	(47)	(548)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	465	458	7	–	–
Outflow	(6)	(468)	(461)	(7)	–	–
	(24)	(50)	(12)	(9)	(25)	(4)

* The Company is jointly and severally liable for VAT at 31 December 2021 of £53 million (31 December 2020: £124 million)

Note vii Share capital

	Allotted, issued and fully paid 2021 & 2020 £m
Allotted, issued and fully paid ordinary shares of 10 pence each	403
Total	403

The Company's ordinary shares give shareholders equal rights to vote, receive dividends and to the repayment of capital.

Note viii Equity and dividends

Keeping it simple

ITV plc is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies.

The Directors consider the Company'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.

The dividend policy is influenced by a number of the principal risks as identified in the Risks and Uncertainties section that could have a negative impact on the performance of the Company.

In determining the level of dividend in any year, the Directors follow the dividend policy and also consider a number of other factors that influence the proposed dividend and dividend policy, including:

The level of retained distributable reserves in ITV plc the Company
Availability of cash resources (as disclosed in note 4.1 to the consolidated financial information) and
Future cash commitments and investment plans, to deliver the Company's long-term strategic plan
Consideration of the factors underlying the Directors' viability assessment and
The future availability of funds required to meet longer-term obligations including pension commitments.

Equity

The retained earnings reserve includes profit after tax for the year of £150 million (2020: loss after tax £65 million), which includes dividends of £200 million from subsidiaries in 2021 (2020: £nil).

Other reserves of £31 million (2020: £10 million) comprises Merger reserves of £36 million (2020: £36 million) which relate to share buybacks in prior periods and Translation reserves of a net loss of £5 million (net loss of £26 million) which relate to cash flow hedges and cost of hedging.

Dividends

The Directors recognise the importance of the dividends to our shareholders and propose a final dividend of 3.3 pence per share, based on two-thirds of a notional full year dividend of 5.0 pence. Due to the COVID-19 pandemic, no dividend payments were made in 2021 or 2020.

Note ix 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.

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2021 of £53 million (31 December 2020: £124 million). The Company has guaranteed certain performance and financial obligations of subsidiary undertakings.

Note x Capital and other commitments

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 is expected to have a material effect on the Company's results or financial position.

The Company enters into guarantee contract to guarantee the performance and/or financial obligations of other companies within the Group. In this respect, the Company treats these guarantee contracts as a contingent liability until it becomes probable that the Company will be required to make a payment under the relevant guarantee.

In March 2020, the Company extended the maturity of its existing £300 million bilateral loan facility by five years to 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants and at 31 December 2021, £152 million of the facility was utilised as a letter of credit to support the ITV Group's asset-backed pension scheme arrangement currently in place in respect of the defined benefit pension scheme. See section 3.6 of the Group Notes for further details.

There are no capital commitments at 31 December 2021 (2020: none).

Note xi Related party transactions

Keeping it simple

The related parties identified by the Directors include amounts owed to and from subsidiary undertakings that are not wholly owned within the Group as well as transactions with key management. The company is a holding company with no commercial activity.

To enable the users of the financial information to form a view about the effects of related party relationships on the Company, we disclose the Company's transactions with those during the year.

Transactions with subsidiary undertakings that are not wholly owned

The amounts owed by and to these related parties at the year end were:

	2021 £m	2020 £m
Amounts owed by subsidiary undertakings that are not wholly owned	164	81
Amounts owed to subsidiary undertakings that are not wholly owned	3	9

Amounts owed by subsidiary undertakings that are not wholly owned relate mainly to funding provided to BritBox SVOD Limited and Apple Tree Productions ApS. Amounts owed to subsidiary undertakings that are not wholly owned, relate mainly to amounts owed to 3sixtymedia Limited.

Transactions with key management personnel

Key management consists of ITV plc Executive Directors.

Key management personnel compensation, on an accounting basis, is as follows:

	2021 £m	2020 £m
Short-term employee benefits	4	2
Share-based compensation	2	—
	6	2

Total emoluments and gains on share options received by key management personnel in the year were:

	2021 £m	2020 £m
Emoluments	2	3
Gains on exercise of share options	2	—
	4	3

**Note xii
Subsequent
events**

**Keeping
it simple**

Where the Group receives information in the period between 31 December 2021 and the date of this report about conditions related to certain events that existed at 31 December 2021, 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 2021.

If non-adjusting events are material, non-disclosure could influence the economic decisions that users make based on the financial information. 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 14 January 2022, we agreed a new syndicated £500 million Revolving Credit Facility ("RCF") with Barclays Bank PLC, BNP Paribas, Credit Suisse International, Mizuho Bank, Ltd., National Westminster Bank PLC and Wells Fargo Bank N.A. The terms of the new RCF run until January 2027 replacing the existing facility, which was due to mature in 2023. The RCF documentation continues to define a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). The new RCF is linked to the delivery of ITV's science-based carbon emissions targets. Under the terms, ITV will benefit from a lower interest rate if it delivers emissions reductions in line with its net zero roadmap, which will be assessed on an annual basis and verified by independent external review. The metrics include scope 1, 2 and 3 emissions and will therefore impact right across the ITV supply chain.